

FINANCIAL TIMES

Red chips

Hong Kong bulls rush for China stock

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Iran election

Islam goes to the ballot box

Page 4

Survey

International Capital Markets

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FT WEEKEND

What happened to the peace?

TOMORROW

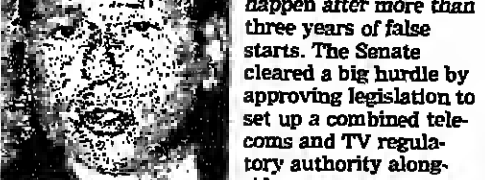
Eurotunnel gets the go-ahead on freight services

Eurotunnel has been given the go-ahead to resume freight shuttle services through the Channel tunnel, the company said last night. The tunnel's supreme body, the Anglo-French Intergovernmental Commission, gave the green light after accepting Eurotunnel's proposals to restart the services, cancelled after last November's fire. The company has completed a \$38m (\$61.50m) repair programme.

World phone quest: Vodafone, the UK's leading mobile phone operator, and Qualcomm of the US are collaborating in trials which could lead to the emergence of the first true "world phone" capable of functioning equally well in the US, Europe or Asia. Page 10

Chips decline hurts NEC: NEC, the integrated electronics group, suffered a 20 per cent decline in group pre-tax profits as strong sales of telecommunications equipment failed to offset a large decline in its semiconductor business, hit by falling prices. Page 25

Italian telecoms privatisation on track: The privatisation of Italy's 62 per cent stake in Stet, the telecoms group, looks set to happen after more than three years of false starts. The Senate cleared a big hurdle by approving legislation to set up a combined telecoms and TV regulatory authority alongside measures to liberalise the sector. The law is expected to be passed before the end of July as result of a deal struck between the centre-left Prodi government and the rightwing opposition headed by Silvio Berlusconi (left). Page 24; Political bet-trick, Page 2



Albanian vote: Albania's squabbling political parties bowed to international pressure and agreed to go ahead with a general election called for June 29. In Slovakia, meanwhile, a referendum on whether the president should be directly elected was in doubt as government and opposition clashed over the interpretation of a court ruling. Page 3

Textile jobs losses: Up to 80,000 jobs could disappear over the next few years in the EU's textile, clothing and leather industries due to increasing global competition. The forecast comes in a trade union action programme which will be agreed today at a conference of the European Trade Union Federation in Oporto. Page 6

Online copyright: The European Commission is finalising a draft directive to ensure that the copyright owners of intellectual properties such as music and films receive full legal protection over the Internet or on other digital networks such as high-speed cable TV systems. Page 4

Dutch alarm at gold scheme: The Dutch presidency of the European Union expressed alarm at the German government's plan to revalue gold reserves as a way of meeting deficit targets for single currency membership. Page 2

German jobs drives: Twelve months after the collapse of a tripartite effort to revitalise the German economy the government, business and trade unions have forged another alliance aimed at boosting employment. Page 2

Czechs defend currency: The Czech central bank was forced to intervene heavily on foreign exchanges after the koruna suffered another furious speculative attack. Page 5; Currencies, Page 35

EU pushes to open gas market: European Union energy ministers may hold a special meeting next month to try to agree long-delayed plans to open the EU's \$100bn gas market to cross-border competition. Page 3

Rattner for Lazard: Media banker Steven Rattner has emerged as the successor to Felix Rohatyn, the star deal-maker of Lazard Freres, New York, who is due to become ambassador to France. Page 25

New roles in Bosnia: Nato-led troops in Bosnia will take on new roles including helping to promote refugee returns and restoring telecommunications links, US secretary of state Madeleine Albright said. Page 2

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STOCK MARKET INDICES

New York: Dow Jones Ind. 7,261.84 (+28.85)	New York: S&P 500 1,142.25 (+10.30)
NASDAQ Composite 1,370.72 (+10.30)	London: FTSE 100 4,891.8 (+9.8)
Europe and Far East: CAC 40 3,574.42 (+16.67)	DAX 3,574.42 (+16.67)
FTSE 100 4,891.8 (+9.8)	Nikkei 19,877.38 (+35.47)

US LUNCHTIME RATES	
Federal Funds 5 1/2%	
3-month Treas. Bill 5.125%	
Long Bond 5.883%	

OTHER RATES	
UK 3-month Interbank 6.50%	(6.2%)
UK 10 yr Gilt 5.95%	(5.95%)
France 10 yr DAT 5.80%	(5.80%)
Germany 10 yr Bund 5.80%	(5.80%)
Japan 10 yr JGB 5.80%	(5.80%)

NORTH SEA OIL (Argus)	
Brent Crude 22.115	(19.76)

STERLING	
DM 2.767	(2.7945)

Barrels (Bbl) 2000	Barrels (Bbl) 2000
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Russia to offer diamond rights

By John Thornhill in Moscow

Russia is to hold an international tender this year for the rights to develop the Lomonosov diamond deposits, believed to be one of the biggest untapped diamond resources in the world.

The Lomonosov field, in northern Russia on the edge of the Arctic circle, could contain up to \$12bn-worth of precious stones.

Its development would significantly bolster Russia's standing in the world diamond industry and create a powerful mining centre to rival that of Sakha, formerly Yakutia, in Siberia.

De Beers, the South African diamond giant which dominates the diamond industry, has for months been negotiating to buy a stake in the Sev-

Moscow opens one of biggest untapped sources of gems to foreign companies

eralmaz company, which owns the licence to develop the deposits, and has been prospecting in the nearby area.

But other multi-national corporations, such as Rio Tinto, the British mining group, are likely to compete for a share of the exploitation rights to Lomonosov.

Mr Victor Chernov, a minerals industry official in the Archangel'sk area, said it was unlikely that Almazs Rossii-Sakha, Russia's leading diamond producer, would participate in the tender.

The announcement of the tender highlights how Russia is opening its rich natural

resources to international participation in spite of opposition from nationalist MPs, determined to defend their country's birthright.

A revised production sharing agreement for the oil industry has recently been adopted by parliament, easing the way for foreign corporations to make multi-billion dollar investments. The government has promised to give international companies access to Russia's vast gas deposits.

However, such projects have been dogged by bureaucratic delays and the difficulties of dealing with Russia's unpredictable tax and legal systems.

Mr Yevgeny Yasin, a minister for economic affairs, said yesterday that the recently-re-

shuffled government was committed to improving the investment climate for foreign and Russian investors but would have to speed up its efforts.

The development of a stronger Russian diamond industry would make it more likely that the country would break with the De Beers diamonds cartel.

Mr Anatoly Chubais, the first deputy prime minister, said it would be in Russia's short-term interests to resume its exclusive selling agreement with De Beers. A previous agreement broke down at the

end of last year but a renegotiated deal is expected to be signed within weeks.

Mr Chubais suggested Russia would be powerful enough to sell its diamonds directly on the world market. "Today it is advantageous for us to work with De Beers and we are working with them," he said.

"But tomorrow it will not become advantageous for us. Then it will be good bye."

The diamond deposits in the Archangel'sk area were surveyed during the Soviet era but few details have been released. The industry was one of the most secretive enclaves in the Soviet economy.

But three years ago, the Izvestiya newspaper reported that the Lomonosov site contained enough diamonds to produce up to 6m carats a year for the next 40 years.

Cotton import row threatens European summit

By Lionel Barber in Brussels and John Kammphar in London

A row over European Union anti-dumping duties on unbleached cotton imports from China, India and Turkey threatens to dash hopes of a harmonious European summit in the Netherlands today.

President Jacques Chirac of France, under pressure from the textile lobby in the run-up to Sunday's parliamentary elections, is considering a request to review an EU decision against imposing penalties.

However, the Dutch, who hold the presidency of the EU, believe such a request could poison the atmosphere at the Noordwijk summit, the purpose of which is to accelerate negotiations in the intergovernmental conference (IGC) in June and to offer a welcome to Mr Tony Blair, new British prime minister.

Mr Blair will make his debut on the international stage by wearing beads of EU institutions and governments that their integrationist zeal is out of touch with their voters.

He will use the mini-summit in Noordwijk - a precursor to next month's Amsterdam conference on institutional reform - to introduce his concept of a "people's Europe".

Mr Blair's debut could be overshadowed by the row over bleached cotton imports, which has grown into a stand-off between the Anglo-Dutch-Nordic free trade bloc and the French-led protectionist camp from the south, with Germany caught in the middle.

EU diplomats said the repercussions would be felt in the IGC and could damage the European Commission's chances of extending its right to negotiate on behalf of the EU in the fast-growing trade areas of services and intellectual property.

The dispute arose last Thursday on the eve of a vote by all 15 EU member states on whether to turn provisional

Continued on Page 24
German gold, Page 2
Ballots and bullets, Page 22

Brussels and UK to work for accord on airline deal

By Emma Tucker in Brussels

The European Commission and the UK government have signalled that they are working towards a common stance on the controversial alliance planned by British Airways and American Airlines.

The move follows a meeting in London earlier this week between Mr Karel Van Miert, European Union competition commissioner, and Mrs Margaret Beckett, UK trade and industry secretary, to discuss competition concerns raised by the proposed link-up.

Earlier this year a row flared between Brussels and Britain's then Conservative government, which had insisted that only London had jurisdiction to vet the alliance.

Brussels had retorted that its concerns about the impact of the deal on competition in the European airline market had to be taken into account, and that it had a right to demand changes under the EU treaty.

Yesterday, EU officials emphasised that the Commission still had profound reservations about the deal, which will create the world's largest airline group.

But they denied suggestions that a stalemate would be reached between the British government and the Commission.

Expectations of a Brussels-London rapprochement were reinforced by comments from British officials who said conflicting decisions would not be in anyone's interests.

"We recognise that the Commission has a role and we recognise that we have to reach a common analysis," said a British diplomat.

Both Brussels and the British government have said the deal raises profound concerns over competition.

Last October, the Commission sent the companies a list of its objections to the alliance. These included the fact that the BA-AA market share would be between 74 per cent and 100 per cent on 17 routes between the UK and the US.

They would be the sole operator on routes such as Heathrow and Boston.

Central to the Commission's argument was the fact that Heathrow serves as a hub not just for the UK, but for the whole EU.

It points out that 40 per cent of passengers flying to the US from the EU go via London's Heathrow airport.

Brussels also objected to the number of slots that the allied companies would control at Heathrow.

The Commission dismissed a



Yeltsin fires his top military men in pursuit of reform

A grim-faced President Boris Yeltsin, above right, forcefully reasserted his presidential authority yesterday when he fired Russia's two leading military figures because of the state of the armed forces.

Standing on the left during a meeting

of the Russian Defence Council is Mr Igor Rodionov, who was removed as defence minister after he was told that he was doing nothing to implement improvements to the military. Also sacked by the president was General Victor Samsonov, head of the general staff.

Mr Yeltsin has demanded that the 1.7m-strong conscript army should be transformed into a smaller professional force by the end of the decade, a view contested by the general staff which says more funds are needed. Report, Page 24

Picture AP

Japanese attack Sydney bed tax

By Nikki Tait in Sydney

Japanese hotel owners, who control some of the largest and most prestigious properties in Sydney, yesterday criticised a plan by Australia's New South Wales state government to introduce a 10 per cent "bed tax", saying it was a "total breach of our confidence" and could endanger "economic viability".

The government's move, which will raise about \$500m (\$38.7m) a year, was attacked by the tourism industry as hampering growth prospects in the lead-up to the Olympics Games, scheduled to be held in Sydney in 2000.

Unlike most countries, Australia does not generally tax services. But the NSW state government broke ranks when it announced earlier this month a 10 per cent levy on city-centre hotels in Sydney from September 1.

The move came as part of a 1997-98 budget package and allowed the government to forecast a small surplus.

The only other "bed tax" in Australia applies in the sparsely populated Northern Territory, where a 7.5 per cent levy goes directly into tourism promotion.

The protest moved offshore yesterday with Japanese owners of the ANA, Renaissance, Nikko Darling Harbour, Ritz-Carlton Double Bay and Old Sydney Parkroyal hotels uniting in a joint letter of protest to the state premier.

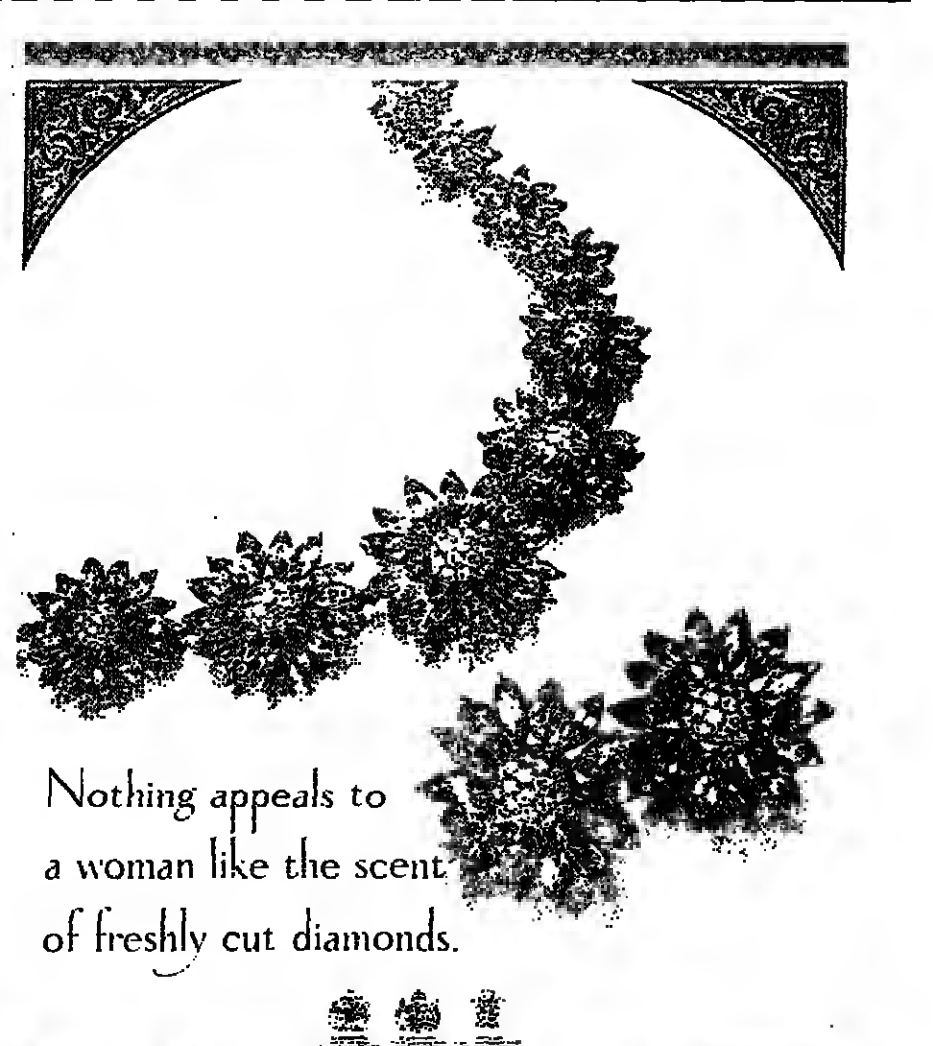
"From our discussions with major Japanese tour operators, a significant number of tourists will change their minds and not visit Sydney or will shorten their stay here," the Japanese investors warned.

"Existing returns on investment of our hotels are unsatisfactory. This tax will further endanger our economic viability."

The Japanese market is crucial to Australia's tourism industry. About 20 per cent of the 4.2m short-term visitors to the country last year came from Japan, compared with 16 per cent from New Zealand and 9 per cent from the UK.

The Japanese hotel owners say they are particularly aggrieved because they co-operated with the government over provision of hotel space for the Olympics. The city's scarce resources are likely to be stretched to the limit, and there is already talk of housing some visitors on cruise ships in Sydney Harbour.

"It is unfortunate that some of our hotels have already signed Olympic contracts," the Japanese owners said.



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German drive to create jobs in east

By Frederick Stüdemann
in Berlin

Twelve months after the collapse of a tripartite effort to revitalise the German economy, the government, business and trade unions have again forged an alliance aimed at boosting employment, this time in the country's eastern regions.

The "common initiative" for more jobs in eastern Germany unveiled yesterday by Chancellor Helmut Kohl aims to create 100,000 jobs a

year in the region starting next year through more flexible wage agreements and an increase in investment and purchasing in the east by western companies. For its part, the federal government has said subsidies to those investing in the east will be continued until the year 2004.

The announcement of the "common initiative" comes amid faltering growth and a continuing lag in productivity in eastern Germany. This year, according to the Ger-

man Institute of Economic Research (DIW), growth in the region would be barely more than 1 per cent, well below the 4.5 per cent a year growth needed if east Germany is to catch up with the west.

Unemployment in east Germany stood at 17.5 per cent in April, 7.7 per cent higher than the rate in the west. Mr Manfred Stolpe, president of the eastern state of Brandenburg, warned yesterday that unemployment had become "a very real dan-

ger to social peace in our country."

The commitment by employers and trade unions to loosen the system of collective industry-wide pay agreements forms the centrepiece of the "common initiative", and points to the possibility of eastern Germany leading the way to reform at national level.

Both Chancellor Kohl and Mr Dieter Schulte, head of the German trade union federation (DGB), yesterday acknowledged a chance

existed that some elements of the "common initiative" could be carried west.

Last weekend, Mr Schulte caused a stir in trade union circles when he called for a more flexible approach to collective pay bargaining.

Employers' groups, who have long been calling for more flexibility in the pay bargaining system, welcomed Mr Schulte's remarks. For employers, the spread of localised pay agreements in eastern Germany has increasingly been seen as a

model for the whole country.

Already, more than 60 per cent of east German employers have deserted the collective pay bargaining system for wage deals set at factory level.

The result has been a significant reduction in business costs. According to the Bundesbank, east German wages negotiated collectively were roughly 90 per cent of those in the west in 1996; those negotiated locally were only 77 per cent.

INTERVIEW

Delors shrugs off Emu fears

Leftwing election win 'would not endanger monetary union'

By David Buchan in Paris

A leftwing victory in the French election would not endanger Europe's planned monetary union, because the Socialist leadership is as committed to the Maastricht treaty as its centre-right opponents, Mr Jacques Delors, the former European Commission president, claimed yesterday.

In an interview, Mr Delors, the French Socialist who was the chief architect of Maastricht's monetary union blueprint, dismissed fears, raised this week by President Jacques Chirac, of a crisis in France's European relations in the event of a leftwing victory.

"The important thing that has come out of this campaign is that our [foreign] partners no longer question France's commitment to economic and monetary union (Emu), because the three biggest parties - the Socialists, the [Gaullist] RPR and the [centre-right] UDF - have shown they are for the application of the Maastricht treaty," he said.

Speaking ahead of Sunday's first round of voting in the parliamentary elections, Mr Delors estimated that these three parties would win around 75 per cent of the vote. "To find higher support [for Emu], you would have to go to Italy or Belgium."

As for the Communists - allied to the Socialists in this

election - Mr Delors made clear they would have to toe the Emu line drawn by Mr Lionel Jospin, the Socialist leader.

"Right from the start, Mr Jospin has said that if the left, the centre-left, wins, it is for the Communists to decide - yes or no - whether they want to apply Maastricht on conditions fixed by the Socialist party," he said.

If, however, his Socialist party were to cave in to Communist pressure by deviating from its pro-Emu line, then Mr Delors, who retains one of the highest positive poll ratings among French public figures, has indicated he would put Europe above party and would denounce his errant colleagues.

At the heart of the campaign controversy have been the Socialists' four "conditions" that Emu should provide for an "economic government" by EU ministers to balance the independent European Central Bank; should promote jobs and growth; should ensure the future euro currency is not over-valued against the dollar; and should include Italy and Spain.

Mr Delors said the first two "conditions" were encompassed within the Maastricht treaty. It provides, in Article 103, for a balance to the central bank by leaving European governments to set macro-economic policy guidelines.



Delors: three main French parties are committed to Emu, he says

The only change Mr Delors would make would be to take the subsequent "stability pact" (covering financial disciplines and agreed to German insistence last year), elevate it to the status of a formal protocol and add to it by spelling out what Article 103 would mean in practice. Mr Delors stressed that, at bottom, "the only real condition is full application of the treaty; the rest are objectives" shared by most people in France.

Mr Delors saw these concerns gaining support outside France. He said Mr Karl Lamers, a senior member of

Chancellor Helmut Kohl's Christian Democratic Union in Germany had this week said "economic government" was an excellent idea.

Mr Delors insisted he had no desire to enter the UK's debate on participation in Emu. "But let's suppose that if in the future Emu is seen to be running well with a good dynamic behind it, and if Tony Blair is still in power, then from what I know of him, I think he would be close to the present French position."

While noting Labour's decision to give the Bank of

England "more room for manoeuvre", Mr Delors detected a reticence among the British as among the French about not having a counterweight to the monetary authorities.

Drawing on a recent paper commissioned by Notre Europe, the research unit he has created in Paris, Mr Delors said that if over the past five years there had been an "economic government" to match the European Monetary System with co-ordinated economic policies, growth would have been 3 percentage points higher in Europe.

French right sees hope in economy

By David Buchan in Paris
and Andrew Jack in Lyons

France's ruling centre-right yesterday claimed a pick-up in the economy and a declining budget deficit as it battled on towards Sunday's first round of voting in the parliamentary elections.

After Mr Lionel Jospin, the Socialist leader, warned of the "alarming reality" of France's public finances, Mr Jean Arthuis, the finance minister, said the narrowing of the budget deficit in February-March - some FF388m (\$6.6bn) below the level in the same period a year earlier - "seems to have continued in April".

The minister also repeated his earlier claim 1997 growth would probably exceed the government's 2.3 per cent target to hit 2.5 per cent.

Mr Francois Léotard, president of the UDF component of the ruling coalition, forecast if the centre-right were returned to power in the final June 1 run-off vote, the new government would hold a special parliamentary session in July to prepare the 1998 budget and to set out its broad goals to govern the country until 2002.

Mr Léotard joined Mr Alain Juppé, the Gaullist RPR prime minister, in Lyons last night for a last big show of coalition solidarity before Sunday's vote.

The Paris Bourse closed yesterday 1.6 per cent down on the day, partly on rumours of secret polls showing the government's lead narrowing. Despite the ban on polls in the final week of a campaign, pollsters are continuing surveys, some of which have been posted on the internet.

Dutch express alarm at German gold scheme

By Gordon Cramb
in Amsterdam

The Dutch presidency of the European Union yesterday expressed alarm at the German government's plan to revise gold reserves as a way of meeting deficit targets for single currency membership.

"Germany must meet the criteria in a decent way," said Mr Gerrit Zalm, finance minister. "I cannot conceive that Germany will put its reputation for soundness at risk. I trust that Germany will achieve the goal of a maximum 3 per cent deficit for 1997 not through a one-off profit handout from the Bundesbank but by restricting spending and raising taxes."

His warning in an inter-

view with NRC Handelsblad, the Netherlands' main evening daily, came as EU leaders prepared to gather in the Dutch seaside town of Noordwijk today for an informal summit. Confirming the thrust of the minister's remarks, officials said Mr Zalm aimed to go to Bonn soon to hear directly from Mr Theo Waigel, German finance minister, what his intentions were.

"It revolves around the credibility of the German position," Mr Zalm said. "Mr Waigel has always warned other countries that the criteria will be applied strictly and durably. That goes for all countries, including Germany and the Netherlands."

"This plan evokes unease. I cannot imagine that Germany wants to take this

route to qualify for Emu as regards the budget deficit. It causes me concern that this sort of measure is being contemplated."

While rejecting any notion that the next stage of Emu should be delayed from its scheduled start in January 1999, he said the Germans had other options for meeting the criteria. For example, a previously rejected proposal to increase petrol duties could be revived.

"Only if you yourself qualify in a correct manner can you set requirements. Otherwise you lose your moral authority. Germany and the Netherlands owe it to themselves to ensure that Emu does not get off to a bad start, with all the damaging consequences that would have."

Poll suggests a close vote in Irish election

By John Murray Brown
in Dublin

The first opinion poll of the Irish general election campaign suggests the vote on June 6 may produce one of the closest results in years.

While the opposition Fianna Fail-led alliance would appear ahead, support for the outgoing coalition has increased, and 16 per cent of those polled are undecided.

The standing of the individual parties remains broadly unchanged, suggesting the populist Fianna Fail and right-of-centre Progressive Democrats will have enough seats in the 166-seat Dail, or parliament, to form a government. But the Fine Gael-led government has closed the gap by 6 points to

38 per cent, against 44 per cent for Fianna Fail-PD.

Fianna Fail has largely set the agenda for the first week, focusing on the issue of tax, but has failed to expose differences between the conservative Fine Gael and its leftwing partners, Labour and Democratic Left.

The abortion issue has resurfaced, causing some discomfort for both the main parties. In an unexpected intervention the Archbishop of Dublin, Dr Desmond Connell, called for a new referendum - a move criticised by Mr John Bruton, the prime minister, who favours dealing with the issue through legislation.

But, with so little to choose between the parties, the result is likely to turn on how well they maximise

their support under Ireland's system of single transferable vote. This allows voters to use their second and third preferences to choose a coalition. In 1992, Fianna Fail, the largest party, is believed to have lost 6 or 7 seats through mismanaging its vote.

The Fine Gael-led coalition currently holds 84 seats, while Fianna Fail and the PDs have 76. One prediction is that the result could depend on the Dublin middle class, who voted decisively for Labour in 1992 and for the PDs in 1989. Mr Michael Laver, professor of political science at Trinity College Dublin, believes the result could be so close the Greens, who currently have one deputy, could find themselves with the balance of power.

EUROPEAN NEWS DIGEST

New roles for Bosnia force

Nato-led troops in Bosnia will take on new roles to advance peace, including helping promote refugee returns and restoration of telecommunications links, Mrs Madeleine Albright, US secretary of state, said yesterday.

She announced the change during a US senate committee appearance in which she said the US had decided to rededicate itself to full implementation of the 1995 Dayton peace accords. The US troops, the biggest component of the Bosnia peacekeeping force, are due to leave in June next year.

Reuters and AP, Washington.

Bonn eases beef controls

Germany has lifted its ban on the sale or slaughter for human consumption of descendants of cows imported from Britain and Switzerland.

The ban was imposed in January amid fears about the transmission of BSE, or "mad cow" disease, from mothers to calves. Agricultural representatives from the federal and state governments agreed the move in Bonn yesterday on the basis that Germany remained BSE-free and all five cases in the country to date had involved imported animals.

Ralph Atkins, Bonn.

Shares probe scaled down

The investigation into possible insider trading by employees of the German business software company SAP has produced no evidence of widespread abuse, both the company and prosecutors announced yesterday.

The probe is likely to last only a few more weeks, instead of a year as initially expected, and involves no top-ranking employees.

Mr Job Tilmann, spokesman for the Frankfurt prosecutor's office, said its officials were concentrating on four employees in the "secondary insider" category with no direct access to market-sensitive information. Initially, more than 100 potential insiders had been under suspicion. The investigation was based on evidence of sales of shares ahead of an announcement last October that SAP would probably not meet its earnings forecast.

Andrew Fisher, Frankfurt.

IMF voices Greek concerns

The International Monetary Fund has warned the Greek Socialist government against "complacency" over declining inflation and improved output growth. In its annual report on the Greek economy it says deep spending cuts and a more determined privatisation policy are needed for standards of living to catch up with the rest of the European Union.

The report notes that core inflation, which does not include volatile food or fuel prices, has stopped falling despite a sharp fall in headline inflation from 6.8 per cent in January to a projected 5.5 per cent in May.

The economy ministry has revised its forecast for growth in gross domestic product from 3.3 per cent to 3.7 per cent this year, citing a recovery in tourism, Greece's biggest industry, and faster disbursement of EU grants for modernising roads, harbours and airports.

The IMF points out, however, that "the budget deficit was higher than targeted, reflecting both revenue shortfalls as well as a significant overrun in the civil service wage bill". It forecasts another revenue shortfall this year.

Karin Hope, Athens.

Swiss deny Nazi charge

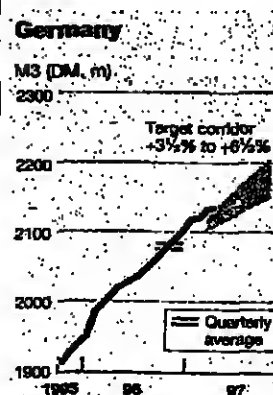
Switzerland has denied that its business deals with Nazi Germany prolonged the second world war and has strongly defended its wartime policy of neutrality.

In its first detailed response to a critical US government report, the Swiss government attacked descriptions of Switzerland as the Nazis' banker as "one-sided" and said that allegations the Swiss had helped prolong the war were "unsupported" by the evidence. The Swiss government accepts that its faint-hearted refugee policy towards the Jews was "inexcusable" but disagrees with the assertion in the report that neutrality and morality contradicted each other at the time in question. Swiss neutrality meant that it could assume wide-ranging humanitarian tasks for the Allies such as visiting prisoner-of-war camps in Germany and Japan.

The Swiss had demonstrated their humanitarian commitment with the SF200m (\$140m) donation to war victims which was not even mentioned in the report.

William Hall, Zurich.

German M3 growth tumbles



Source: Deutsche Bundesbank

German money supply growth slowed more sharply than expected in April, with M3 growing at an annualised rate of 6.7 per cent, approaching the Bundesbank's target range for the full year of between 3.5 per cent and 6.5 per cent. This compares with growth rates of 9.1 per cent in February and 8.3 per cent in March. The rates are calculated from the average M3 level of the fourth quarter of 1996. One reason for the slowdown was stronger monetary capital formation, in which funds move out of short-term deposits within the M3 definition into longer term securities. UBS Global Research said the shift of funds out of M3 was caused by last month's stronger bond market. It added that the M3 slowdown should have no immediate impact on interest rates.

The west German business climate index rose to 94.7 in April from 92.6 in March, and was up from 87.4 a year earlier, the Ifo economic research institute said.

Government, opposition and media operators all get a piece of the action, writes Robert Graham

Italian telecoms deal scores a political hat-trick

Italian politics all too often seem to be the art of the impossible - trying to make everyone happy while producing good law.

The new legislation regulating telecoms and television is a classic case in point. After a confused and bitter battle between government and opposition lasting two and a half years, an agreement has been stitched together that gives enough to satisfy each set of interests. But it is far from clear whether the compromise has produced an intelligent law liberalising the fast expanding world of telecoms and multi-media.

The law, approved yesterday by the senate, has to go before the chamber of deputies. This will lead to some fine tuning. But the centre-left government has already forged an agreement with

the rightwing opposition that:

- rewrites the anomalous 1990 law regulating the number of TV channels;
- accommodates a December 1994 constitutional court decision limiting the number of commercial stations controlled by Mr Silvio Berlusconi's Mediaset; and
- paves the way for liberalisation by establishing a new TV telecoms regulatory authority and allowing telecoms and TV companies to move into each other's territory to exploit new multi-media opportunities.

The outcome is far more favourable to Mr Berlusconi's business interests than at one time he might have hoped. As a result it is hard not to see a broader political trade-off whereby the benefits Mr Berlusconi's Mediaset obtains in the TV/telecoms field will be

repaid by his opposition coalition in the form of support for the government on privatisation and constitutional reform.

The deal is the result of two different pressures. On the one hand, both telecoms and TV companies have had to adjust to the impending opening up of the domestic market imposed by European Union directives.

On the other, the politicians have had to come to terms with the unorthodox manner in which the Rai state broadcasting organisation established a TV duopoly with Mr Berlusconi's three commercial channels. This meant that once Mr Berlusconi entered politics in 1994, parliament was obliged to resolve the conflict of interest between his role as a politician and his ownership of a media empire that controls almost

45 per cent of the national TV audience.

Mr Berlusconi did nothing serious to resolve this when he was premier in 1994. Since then he and his allies in the rightwing opposition have devoted much of their parliamentary energies to ensuring Mediaset was not penalised by a constitutional court decision which threatened to remove at least one of his channels and cut his advertising revenues by a third. Agreement should have been reached last August but the deadline was postponed by another year.

The new law permits Mediaset to maintain its three existing channels until April 30 1998. If the new regulatory authority then decides they account for more than 20 per cent of the terrestrial channels, one channel will have

to become satellite. But this will only happen if there are sufficient satellite dishes in use to guarantee its success - and the government will introduce incentives for dish purchase.

Thus, Mediaset will almost certainly maintain three terrestrial channels beyond 1998. It is also likely to benefit at least until the end of this year from existing rules governing advertising, whereas from mid-1998 it risked losing some 30 per cent of these revenues through strict application of the constitutional court decision.

The Rai and the political parties who use it as an instrument of influence are also beneficiaries. The state broadcaster will retain three national channels - unique in Europe. It will also be able to move into digital TV, developing

its "platform" with Stet, the state telecoms group due to be privatised. Stet itself will be able to expand into image transmission via cable.

In deference to ending the Rai-Mediaset terrestrial duopoly, the small two-channel TeleMontecarlo group owned by film producer Mr Vittorio Cecchi Gori, will be able to have full national coverage.

To complete the political carve-up, the structure of the regulatory authority placates everyone. The chairman will be appointed by the prime minister, with four board members chosen by the ruling parties and four by the opposition. To ensure the populist Northern League comes on board, the government will probably nominate one of the four members in its patronage with the former's agreement.

Slovak vote put in doubt by court ruling

By Vincent Boland

A referendum in Slovakia on whether the president should be directly elected was in doubt yesterday as government and opposition clashed over the interpretation of a ruling by the country's highest court.

The referendum, spread over two days, is due to begin today. Mr Vladimir Meciar, the prime minister, had sought to block it, his opponents claim, because it would hinder his plans to extend his power.

He was overruled by the Constitutional Court. However, a furious row erupted over whether a 'Yes' vote would enable the change to be incorporated directly into the constitution or whether parliament would have to ratify it.

A second referendum on joining Nato was due to be held at the same time. But it would be invalid without the presidential vote.

It was unclear late yesterday whether the ballot papers would actually include the question on direct presidential elections despite demands from Mr Kováč and the electoral commission that all four questions - three refer to Nato membership - be included.

The presidential referendum is an opposition initiative to avoid a constitutional vacuum after President Michal Kováč's term expires next March.

The president is currently appointed by parliament, but neither government nor opposition has enough seats to secure a new appointee.

The opposition fears Mr Meciar might exploit a vacant presidency to widen his already considerable powers before a general election six months later.

Mr Meciar and Mr Kováč, once allies in the fight to oust the Communists, have since become bitter enemies. The premier accuses the president of siding with the opposition, while the president accuses his opponent of "authoritarianism and being a threat to democracy".

Observers in Bratislava said the court ruling, in response to a government request that it declare the presidential referendum invalid, had created constitutional chaos. "There is an air of confusion everywhere," a western diplomat said.

Opinion polls suggest there is strong support for a direct presidential election.

The present battle reflects the deep animosities that govern Slovak politics. Mr Meciar has become increasingly authoritarian and Mr Kováč is seen as the strongest bulwark against him.

If the referendum fails to go ahead, it looks certain to draw a sharply critical response from western governments. President Kováč's office said yesterday that President Bill Clinton had written recently voicing concern about the pace of democratic reform in Slovakia.

Czechs battle to defend currency

By Vincent Boland in Prague

The Czech central bank was forced to intervene heavily on foreign exchange markets yesterday after the koruna suffered another furious speculative attack.

For the third time in six trading days the Czech National Bank (CNB) had to dig deep into the country's foreign reserves to keep the koruna inside its trading band against a hard currency basket comprised of two-thirds D-Marks and one-third US dollars.

There are growing doubts about how long the bank's battle of wits with the markets can last.

Traders estimated that it spent up to \$1bn yesterday intervening in both Prague and London and up to \$2bn since May 16, when the koruna first came under sustained attack. Foreign

reserves stood at \$11.7bn at the end of March.

This latest speculative wave came as political leaders wrangled over a proposed cabinet reshuffle. President Václav Havel was attempting late yesterday to broker an agreement on appointing a new government.

Central bank spends up to \$1bn defending the koruna

This is seen as the minimum necessary to revive the fortunes of Mr Václav Klaus, the embattled and unpopular prime minister.

Behind the wobbling koruna lies a sharp slowdown in the economy so far this year, worsening an already wide current account deficit and leaving the traditionally strong currency vulnerable on foreign exchange markets.

The picture is clouded by political gridlock, and analysts said that as well as a reshuffle, any new cabinet needed to bring forward a more credible economic policy.

As well as intervening, the CNB shut off foreign banks' access to the interbank market and restricted last-resort lending to domestic institutions.

Mr Andrew Kenningham, a currency specialist at Merrill Lynch in Prague, said these moves were "an implicit admission that there was a state of emergency" in



Václav Klaus (left): unpopular premier battling for survival

the foreign exchange market.

Mr Vladimir Kreidl, economist at Patria Finance, said: "They are a clear signal that the problem is really serious and that within a few days

the koruna will go down."

He said the CNB could devalue or float the currency or widen the trading band, and that it was likely to fall by 15 per cent.

The koruna can trade 7.5

per cent below its fixed daily

level against the basket. In early trading yesterday it fell to 6.4 per cent, the lowest level ever, but recovered to close at about 3.85 per cent below the fixing after

intervention.

Some traders said activity was mainly driven by domestic companies selling local currency for D-marks and US dollars.

Currencies. Page 33

Albanian parties agree to take part in June election

By Kevin Done, East Europe Correspondent

Albanian political parties bowed yesterday to intense international pressure and agreed to go ahead with the general election called for June 29.

The poll, which is seen as the vital first step in restoring long-term order to the country, had been jeopardised by a bitter fight between President Sali Berisha's Democratic party and the opposition parties over a new electoral law.

The opposition claimed that the

law, similar to the one used in last year's flawed poll, would prevent free and fair elections.

Mr Franz Vranitzky, the former Austrian chancellor and the international community's envoy to Albania, said yesterday that the parties had finally agreed to support the election.

The Socialist party, the main opposition party led by Mr Fatos Nano, said it was abandoning its threat to boycott the poll.

Mr Vranitzky, appointed by the Organisation for Security and Co-operation in Europe (OSCE), said the parties had agreed to

elect 115 seats by majority voting and 40 seats through proportional representation in an election over two rounds.

"They also agreed on the make-up of central and regional electoral commissions and that all parties should have access to the media," he said in an address to the Vienna-based permanent council of the OSCE.

The agreement ends the deadlock over the elections, which had threatened to plunge Albania back into the violent anarchy triggered earlier this year by the collapse of a series of fraudulent

pyramid finance schemes.

A multinational force of more than 6,000 foreign troops led by Italy has been deployed in the country since last month to protect the distribution of humanitarian aid.

Large parts of the country are still outside the control of the central government and the situation remains unstable and chaotic.

Rebel committees still rule some towns in the south of the country, and rival gangs armed with some of the hundreds of thousands of guns looted from state armories are still fighting

for territory in cities such as the Adriatic port of Vlorë.

Despite the fragile security situation, Mr Vranitzky said that the 54-nation OSCE would give its total support to help in preparing the election and would send as many observers as was deemed necessary, together with the Council of Europe.

In a letter sent yesterday to Mr Bashkim Fino, the Socialist prime minister of Albania's caretaker government, Mr Vranitzky said that the OSCE would "carry out intensive observations of the pre-election process and voting and

assist with all means available in post election activities."

He warned that final responsibility to carry out the election still rested with Albania, however, and warned "of the difficulties that must be overcome to ensure that elections are held successfully."

Last year's election, in which President Berisha's Democratic party claimed an overwhelming victory, winning 123 of 140 seats, was widely condemned for ballot rigging, intimidation and violence and was abandoned by most of the opposition parties hours before polling closed.

EU pushes hard to open up gas market

By Neil Buckley in Brussels

European Union energy ministers may hold a special meeting next month to try to agree long-delayed plans to open the EU's \$100bn a year gas market to cross-border competition.

Member states and the European Commission hope a scheduled meeting next Tuesday can reach broad framework agreement, leaving only precise figures on the extent of market opening to be fixed at a special session, probably after the Amsterdam summit.

Last summer agreement on electricity liberalisation was reached at a similar special meeting on the eve of the Florence summit, after eight years of wrangling. But Mr Christos Papoulias, energy commissioner, insists next week's meeting make a commitment to open a large part of the market to competition. Some states, such as France, want to limit liberalisation.

"I will insist the opening of the market must be significant," he told the FT. "We need a declaration that opening will be substantial."

Progress towards a single European market in electric-

ity and gas was stalled for years by the lobbying of national monopolies, and fears about the strategic importance of energy.

The prospect of a competitive European gas market has also provoked concern in Norway, Algeria, and particularly Russia, which meet 40 per cent of EU needs. They fear it could undermine their "take-or-pay" contracts. The danger is that as competition erodes the market share of large distributors, they no longer need all the gas they are contracted to pay for - as happened to British Gas.

The solution before ministers next Tuesday would allow existing gas distributors to be granted partial exemptions from requirements to open their networks to competitors, on a case-by-case basis, if demand for their gas would otherwise fall below volumes they had contracted to buy.

Brussels wants the power to grant and regulate such exemptions, but states including France and Germany say power should remain at national level.

"The Commission is the only institution with the credibility to play this role," says Mr Papoulias.



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NEWS: INTERNATIONAL



Shrouded in doubt: An Iranian woman walks past a series of presidential election posters of Mr Mohammad Khatami in a Tehran street

Iran votes under stern gaze of clerics

Soaring prices have led to more dissatisfaction, writes Robin Allen in Tehran

Iranians will vote for a new president today in an electoral process that reflects the country's mixture of democracy and clerical authoritarianism.

Voters as young as 15 will be choosing between four approved candidates to succeed President Hashemi Rafsanjani, whose second four-year term expires next August. Nearly half the electorate is under 30.

If no contender gets an absolute majority in today's first round, a second round will be held on the Friday of the second week after confirmation of the first round results by the Council of Guardians.

This is the 12-member constitutional body that vetoed 234 of the 238 people who sought to stand as candidates in the election, including all nine women.

The council, which can also annul results, is the most striking example of the self-perpetuating oligarchy that exercises national political control.

Half its members are clerics appointed by Ayatollah Khamenei, Iran's spiritual leader, and the other half are Islamist jurists appointed by the *majlis* (parliament).

The leading contender in the poll is Hojatollah Ali Akbar Nateq-Nouri, speaker of the 270-member *majlis*, and a former interior minister. He is backed by Ayatollah Khamenei, other senior clerics, members of the government and the majority conservative faction in the *majlis*.

His main rival is Mr Mohammad Khatami, a middle-ranking cleric and former culture minister.

Mr Khatami has support from leftwing and technocrat reformists in parliament and from business groups which want relief from state intervention in the economy.

He is also backed by many secular voters - particularly younger people, including women - who see in him some chance for partial release from the pervasive clerical-inspired dogma that dictates people's everyday behaviour.

The other two candidates are considered "also-rans" to justify the show of democracy.

They are Mr Mohammad Reza Khatami, a conservative former intelligence minister, and Mr Reza Zavarzadeh, a lawyer who is vice-chairman of the judiciary.

Despite the presence of the four candidates, and official exhortations from the clerical leadership that voting is "an Islamic duty" and should be seen to be fair, apathy and cynicism are widespread.

A typical comment came from one young conscript in Tehran: "They (the clerical leadership) chose the next president last year, when Mr Nateq-Nouri was made the senior *majlis* official. I will vote for Mr Khatami, but I am 100 per cent sure he will not win."

A cafe-owner in a village north of Tehran also said he would vote for Mr Khatami. Shrugging his shoulders, he quoted an Iranian saying:

"Between the bad and the worse, it is better if you choose the bad"

"Between the bad and the worse, it's better if you choose the bad"

The election takes place at a time of widespread dissatisfaction about the soaring cost of living and state interference in all aspects of the economy. This is despite official rhetoric and a mild pat on the back from the International Monetary Fund for the way the government has paid its external debt on time, cut its import bill, reduced the number of dif-

ferent exchange rates and partly controlled inflation.

The clerical regime is well aware of these factors, and according to bankers, of the need to attract foreign investment and improve its overseas relations.

Observers point out that Mr Rafsanjani, who will continue to play a dominant political role regardless of who becomes the next president, was careful in a press conference earlier this year, to demand only that the US return Iranian assets. "This, he said, 'would be a shift in their stance, and they can then see another face from Iran'."

A likely election scenario being mooted among Iranians is that there will be a high turnout - up to 75 per cent - on the first round, with Mr Nateq-Nouri getting an absolute majority.

A high turnout would enable the regime to announce widespread public commitment to the system; and with neither leading contender getting an absolute majority, the regime could claim that "democracy works".

On the second round, a lower turnout is anticipated, with Mr Nateq-Nouri getting an absolute majority. Some Iranians remark that the regime "will see to that".

Editorial Comment, Page 23

Rafsanjani daughter speaks up for women and the young

By Robin Allen

Should Mr Mohammad Khatami, the second leading contender in Iran's presidential race, do well in today's first round of presidential elections, much of his success will be credited to President Hashemi Rafsanjani's daughter Mrs Faeroh Hashemi, a courageous and highly articulate advocate of women's rights who has inspired many of the country's younger voters.

Those under 30 make up more than half of Iran's population - the second largest proportion of any country in the world, according to Mrs Hashemi - and about 40 per cent of the electorate.

Since being elected in the first round to the *majlis* (parliament) in last year's elections on a reformist ticket in Tehran, Mrs Hashemi has used her personal and parliamentary strengths, always within the framework of Iran's Islamic constitution, to plead for political moderation and "equilibrium" in the *majlis*, and to emphasise the importance of the young for Iran's development.

At a press conference in Tehran yesterday, Mrs Hashemi emphasised the role of Iran's young, starting with the 1979 revolution and the 1980-1988 war with Iraq, in which more than 500,000 mostly young Iranians were killed or wounded.

"As Iran's development continues," Mrs Hashemi said, "we need to build more houses, create more job opportunities, and generate more exports so we can earn more hard currency in order to find solutions to many of our economic problems."

The young need to be involved, "because the government by itself cannot tackle these problems".

Brussels plans copyright rules for the digital age

By Alice Rawsthorn in London and Emma Tucker in Brussels

The European Commission is finalising a draft directive to ensure that the copyright owners of intellectual properties, such as music and films, receive full legal protection when distributed in digital form.

The draft directive is to be published in late July before the summer break or in early autumn.

It follows the publication in March last year of a Green Paper on legal protection for encrypted services, including pay-television and interactive tele-shopping.

Europe's entertainment companies have mounted a strong lobby at national and international level to secure legal protection when their copyrights are distributed over the Internet, or on other digital networks such as high-speed cable television systems.

Music is already one of the most popular subjects on the Internet. Yet record companies, artists and composers will require full copyright protection, and the ability to control access to their material, if they are to exploit the commercial potential of selling recordings directly to consumers by downloading them on to personal computers.

Similarly, film producers and software developers require similar measures to ensure that they are paid for their copyrights, and can protect them from the threat of piracy.

The commission will address four specific areas of digital copyright in the draft directive:

- Ensuring that all member states extend copyright protection to cover digitally-distributed material.
- Introducing a distribution

right to enable the copyright owner to control where their work is distributed.

- Allowing copyright owners to develop technical means of controlling access to their material and detecting unauthorised usage of it, for instance by encrypting and "tattooing" digital signals.

- Harmonising European Union legislation on private copying, such as recording on to blank video or audio cassette tapes for personal use.

These measures broadly reflect an agreement clinched at a diplomatic conference of the World Intellectual Property Organisation (Wipo) in Geneva last December.

This agreement decreed that the 30 countries belonging to Wipo should amend their national law to extend copyright protection to encompass new forms of digital distribution.

Once the European Commission's draft directive has been adopted as European law, all member states will be required to adapt their national legislation accordingly.

One of the trickiest areas to harmonise may be private copying, because it is an issue where national legislation differs widely. Most European countries, other than the UK, Luxembourg and Ireland, impose levies on sales of blank audio and video cassettes which are then redistributed to the copyright owners. Sweden and Portugal are now in the process of introducing such levies.

However, it is not clear whether these levies will become superfluous if effective measures are developed to encrypt and identify digital signals thereby preventing unauthorised reproduction.

BUSINESSES FOR SALE

REPEAT CALL FOR TENDERS FOR THE SALE OF THE ASSETS OF "VOLOS COTTON MANUFACTURING CO S.A."

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities, of 9a Chrysospyliotissis St, Athens 10560, Greece, in its capacity as Liquidator of "VOLOS COTTON MANUFACTURING CO SA" a company with its registered office in Volos, Greece, (the "Company"), previously under special liquidation according to the provisions of Article 46a of Law 1892/1990, by virtue of Decision 106/1997 of the Larissa Court of Appeal

announces a repeat call for tender for the sale of the assets as a single whole of the company described below:

BRIEF INFORMATION

The Company was established in 1963 and was in operation until January 1996. On 18.12.1997 it was placed under special liquidation according to the provisions of Article 46a of Law 1892/1990. Its activities included the production and marketing of ginned cotton, cotton yarns and cotton waste.

ASSETS OFFERED FOR SALE

These include an industrial plant in Nea Ionia, Volos, located in an area of 102,889 sq.m. approximately, a section of which (16,067.5 sq.m.) has become part of the city planning area although the relevant Implementation Act has not yet been drawn up. The surface of the buildings amounts to approx. 50,636 sq.m. The plant's machinery consists of the following cotton ginning units:

- a. A 18468 bobbins spinning unit with a capacity of 8500 KG of NEB 30 yarn per 24 hours.
- b. A 32872 bobbins spinning unit with a capacity of 15000 KG of NEB 30 yarn per 24 hours.
- c. A 43964 bobbins spinning unit with a capacity of 10900 KG of NEB 31 yarn per 24 hours.
- d. An OPEN END (O.E.) 648 turbines unit with a capacity of 1600 KG of NEB 30 yarn per 24 hours.

In addition, the Company's registered name, vehicles, ready-made product, participation in other companies, receivables, five plots outside the Volos area and any other assets are also being offered for sale.

OFFERING MEMORANDUM - FURTHER INFORMATION:

Interested parties may obtain the Offering Memorandum in respect of the Company and its assets upon signing a Confidentiality Agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/91 and subsequently amended), the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.

2. Binding Offers: Interested parties are hereby invited to submit binding offers, not later than Monday, June 23rd 1997, 12.00 hours to the Volos Notary Public Mr. George Kalomenas, No. 100, 28th October St. Volos, Tel. 30-421-28364. Offers should expressly state the offered price and the detailed terms of payment (in cash or instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate, if any). In the event of non-specifying the way of payment, b) whether the credited amount shall bear interest and c) the interest rate, then it shall respectively be deemed that: a) the offered price is payable upon execution of the sale contract, b) the amount credited shall bear no interest and c) the interest rate shall be the legal rate in force from time to time. In all cases where the credited amount bears interest, this shall be calculated in relation to the outstanding amount and shall be payable on the dates of payment of each instalment. Binding offers submitted later than the above date shall neither be accepted nor considered. The offers shall be binding until the adjudication. Submission of offers in favour of a third party to be nominated at a later stage shall be accepted under the condition that express consent is made in this respect upon submission and that the offeror shall give a personal guarantee in favour of such third party for the compliance of the obligations deriving from the sale contract.

3. Letters of Guarantee: Binding offers must be accompanied by a Letter of Guarantee issued in accordance with the sample Letter of Guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to remain valid until the adjudication. The amount of the Letter of Guarantee must be DRS. TWO HUNDRED FIFTY MILLION (250,000,000.-)

Letters of Guarantee shall be returned after the adjudication.

4. Submissions: Binding offers together with the Letters of Guarantee shall be submitted in sealed opaque envelopes.

5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on Monday, June 23rd 1997, 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.

6. As highest bidder shall be considered the participant, whose offer will be judged by creditors representing over 51% of the claims against the Company (the "Creditors") upon recommendation by the Liquidator, to be in the best interests of all of the creditors of the Company. For the purposes of evaluation, an offer to be paid in instalments shall be assessed on the basis of its present value in be calculated by employing a 15% annual discount interest rate.

7. The Liquidator shall give written notice to the highest bidder in appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms, which may be suggested by the Creditors and agreed upon. In the event of the highest bidder not complying with such obligation, the Letter of Guarantee shall be forfeited as a penalty. Adjudication shall be deemed to take effect upon execution of the contract of sale.

8. All costs and expenses of any nature, including any tax (such as V.A.T.), duties, custom duties, any charges in favour of the state or third parties, which may need to be paid (other than those exempted by the applicable law) in respect of the participation in the Auction and the transfer of the assets offered hereby for sale, the sale contract, as well as any other act prior or subsequent to the transfer of assets shall be exclusively borne by the purchaser.

9. The Liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings of the Auction. The Liquidator, the Company or the Creditors shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for the adjudication nor the participants shall acquire any right, power or claim from this Call and/or their participation in the Auction against the Liquidator and/or the Creditors for any reason whatsoever.

10. This Call has been drafted in Greek and translated into English. In any event, the Greek version shall prevail. In order to obtain a copy of the Offering Memorandum and any further information please contact the Liquidator "Ethniki Kephaleou SA, Administration of Assets and Liabilities", 9a, Chrysospyliotissis St. Athens 10560, Greece. Tel.: +30-1-323.14.84-7, fax: +30-1-321.79.05 (attention of Mrs. Marika Frangakidi).

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
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COMPANIES COURT

No. 00991 of 1997

IN THE MATTER OF AKZO NOBEL CHEMICALS HOLDINGS LIMITED

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 16th April 1997 confirming the reduction of the capital of the above named Company from £100,000,000 to £39,077,000 and the Minute approved by the Court showing with respect to the capital of the company as altered by the several particulars required by the above

mentioned Act were registered by the Registrar of Companies on 16th May 1997.

Dated this 20th day of May 1997

PEARSON Solicitors

2 Kingsway Road, New Malden, Surrey KT3 3LR

Tel: 0181 943 9191 Fax: 0181 949 8011

Solicitors for the above named Company

Ref MW/AKZO

CONTRACTS & TENDERS

REPUBLIC OF LEBANON THE MINISTRY OF HYDRAULIC AND ELECTRIC RESOURCES COUNCIL FOR DEVELOPMENT AND RECONSTRUCTION NATIONAL EMERGENCY RECOVERY PROGRAMME WATER SUPPLY AND WASTEWATER SECTORS Invitation for Tenders No 1865

Rehabilitation and extension of Meta E1 and Barouk E1 Water Supply and Meta and Chout Waste Water Systems
The Council for Development and Reconstruction (CDR) has received a loan from the International Bank for Reconstruction and Development (IBRD) towards the cost of the National Emergency Reconstruction Programme, 2nd and 3rd year (outside Beirut), and it is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for the rehabilitation and extension of Meta E1 and Barouk E1 Water Supply and Meta and Chout Waste Water Systems.

The Council for Development and Reconstruction invites tenders from eligible tenderers as defined in the (IBRD) Guidelines for Procurement to execute the following:

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- Construct, equip and commission three new booster pump stations.
- Procure, lay and test 62.9 km of transmission pipelines, of various sizes from 50mm to 600 mm diameter.
- Construct or rehabilitate 20 No. concrete reservoirs of various sizes up to 200m³ capacity & 12 No. up to 4000 m³ capacity.
- Procure, lay or rehabilitate and test 130.5 km of distribution pipelines of sizes from 50mm to 500mm diameter.
- Rehabilitation 142 km of existing transmission pipelines of various sizes from 200mm to 300mm to diameter.
- Construction and rehabilitation /replacement of 12.5 km of sewers and rising mains ranging in size from 150mm to 400mm and construction of a subsurface pumping station.

Tenderers may obtain further information from, and examine and acquire the tender documents at, the office of the Employer starting Monday 26 of May 1997 from the headquarters of: The Council for Development and Reconstruction - Talat El Serail - Beirut Central District, Lebanon - Facsimile: (961-1) 86 44 94 - (961-1) 64 79 47-Tel: (961-1) 643990/1/2/3 - Beirut - Lebanon

Tender documents may be purchased by interested tenderers on application to the above office, and upon payment of a non-refundable fee of US\$ 1000.

All tenders must be accompanied by a security of US\$ 660,000, and must be delivered to the address given above at or before 12:00 noon on Monday 28 of July 1997. Tenders will be opened at 12:00 noon of the same date in the presence of tenderer's representatives who choose to attend.

A pre-tender meeting will be held in the offices of CDR at 10:00 hours on Tuesday 10th June 1997 during which a site visit will be organised.

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NEWS: WORLD TRADE

Chevron warns on Caspian pipeline outsiders

By Robert Corzine

Independent promoters of oil export pipelines from the Caspian Sea region are a "disruptive" force in developing the region, according to Mr Richard Matzke, head of international operations at the US oil company Chevron.

Mr Matzke, who has overseen the development of the largest foreign oil project in the region at Tengiz in Kazakhstan, said the owners of new Caspian pipelines should be the companies developing the oil fields linked to them.

"Speculators and outsiders only bring disruption and delays," he said.

Mr Matzke said his comments should not be interpreted as a threat to the individuals and small companies promoting a number of export options from the Caspian.

"But I don't think there is any real role for the promoters," he said.

Caspian projects were proving difficult enough to get off the ground, even without the interference of non-producers, he added.

He predicted that virtually all big pipeline and oil field development projects planned for the region would experience some delays. This was partly because of the shortage of drilling rigs and other equipment in the Caspian.

The Caspian Pipeline Consortium, which last week agreed to go ahead with a line from Tengiz to the Russian Black Sea coast, was also likely to run into some delays, because a number of peripheral issues needed to be resolved.

Talks with four local governments in Russia on tariffs had yet to take place. "That's a whole new experience so we don't know how long it will take," he declared. "They won't kill the thing but we expect them to negotiate in a tough manner."

Mr Matzke said Chevron would continue to use a variety of ways to export Tengiz crude while the CPC pipeline was being built.

Limited oil exports via barges and rail "could continue indefinitely" as long as costs remained reasonable.

The cost of such alternatives was about twice as much as a pipeline, but even so, Tengiz oil was being sold "above our costs".

EU sets out objections to Boeing merger

By Michael Skapinker, Aerospace Correspondent

The European Commission has given Boeing and McDonnell Douglas its official statement of objections to their planned merger and has asked the two US groups to respond before June 12, when hearings on the subject are to take place in Brussels.

The Commission is believed to have told the companies that the merger

raises three principal concerns.

The first is that it would restrict competition in the civil aircraft market. The two US groups would control two-thirds of sales, making it difficult for Airbus Industrie, the European consortium, to compete.

The second concern is that US government funding for defence programmes would be used for the development of civil aircraft. The takeover of McDonnell

Douglas will give Boeing a substantial presence in the US defence market.

The Commission's third concern is the exclusive deals which Boeing has concluded with American Airlines and Delta Air Lines. The airlines have appointed Boeing as their sole supplier for 20 years. Continental Airlines of the US is thought to be close to reaching a similar deal.

Boeing refused to reveal the content of the statement

of objections. But Mr Philip Condit, Boeing's chairman, said his group would "continue to work with the European Commission to help it better understand the data that underlie the process and the benefits that accrue to customers, suppliers, employees and shareholders."

Mr Condit said, however, that the Commission's investigation of the merger should take second place to that being conducted by the

US Federal Trade Commission. He said the FTC should take the lead, as the proposed merger "so obviously concerns key US interests, not the least of which is the sovereign area of defence."

Mr Condit added: "While the merger has raised a number of issues in the European Union, there is one fundamental anti-trust issue: does the combination of Boeing with McDonnell Douglas' commercial

airplane unit have a restrictive effect on competition?" He said that answer was a "resounding no" because McDonnell Douglas accounted for only 4 per cent of sales last year.

Mr Condit said there was no question of defence research funding being used for civil programmes. The issue was regulated by the 1992 bilateral trade agreement.

"Since 1993, when we have submitted reports to the US

government, there have been no instances of benefits accruing to US commercial airplane programmes from currently funded US Department of Defence or NASA contracts," he said.

Mr Condit said that the exclusive agreements were struck at the airlines' initiative. The deal with American had been concluded before the proposed merger with McDonnell Douglas had been announced.

Testing time at WTO for Indonesia's controversial national car venture

The world trade body will today be asked to investigate privileges for Jakarta's car project

By Haig Simonian and Maruella Saragosa

For months, today's date had been ringed in the diaries of executives at Timor Putra Nasional, Indonesia's "national" carmaker.

At a disputes settlement meeting at the World Trade Organisation, the European Union is today expected to request a panel be set up to investigate whether the "national" car infringes WTO rules. Indonesia can resist the formation of the panel this time, but not if the EU makes a second request.

In April, Japan made a similar request to the WTO but has given Jakarta "time" to amend its policy.

Foreign carmakers and their governments argue that the tax and tariff breaks for Timor discriminate against its competitors. The company, controlled by Mr Rutowo Mandala Putra, the youngest son of Indonesia's President Suharto, enjoys benefits on both the swinging import duty on completely knocked-down imports and on the country's high luxury goods sales tax.

That means the company's Timor saloon significantly undercuts similar models assembled in Indonesia by Japanese carmakers and their local partners. Worse, the Indonesian government decided last June to let Timor import 45,000 fully-built vehicles from Kia Motors of South Korea - its technological mentor - until its own factory was completed.

Despite the apparent strength of the case against Timor, the beat had appeared to go out of the dispute earlier this year. In particular, Japanese manufacturers and the Tokyo

government, which had been Timor's sternest critics, have been notably quieter.

Some attributed their change of heart to a traditional distaste for confrontation. Others argued the new willingness to turn a blind eye stemmed from Timor's less than sparkling debut: the company sold less than 1,000 vehicles a month in the three months since it went on sale on October 1 - far below the widely reported 4,000 units a month target for the first year.

However, three developments have since fanned the trade flames:

Foreign car makers say Timor's tax and tariff breaks discriminate against them

Timor's sales have picked up strongly in recent weeks and signs the company, possibly with tacit government support, has been leaning on big state and private groups to buy its vehicles.

A consortium of private and state banks has agreed to extend a \$600m loan to finance Timor's expansion. This is only half what Timor wanted, but the loan and the fact that some banks may have required government persuasion to participate is highly controversial under WTO rules.

The company plans to broaden its range into the highest sector of the Indonesian vehicle market.

The Timor's limited success is attributable partly to the fact it is a saloon car. Despite its relative cheapness, conventional saloons

account for only about 12 per cent of Indonesia's vehicle market. By contrast, the bulk of sales are of "commercial vehicles", mostly vans converted into cars.

Such vehicles are popular because they can seat up to nine people, ideal for Indonesia's extended families. More convincingly, they like the Timor, are exempt from the heavy taxes on conventional cars.

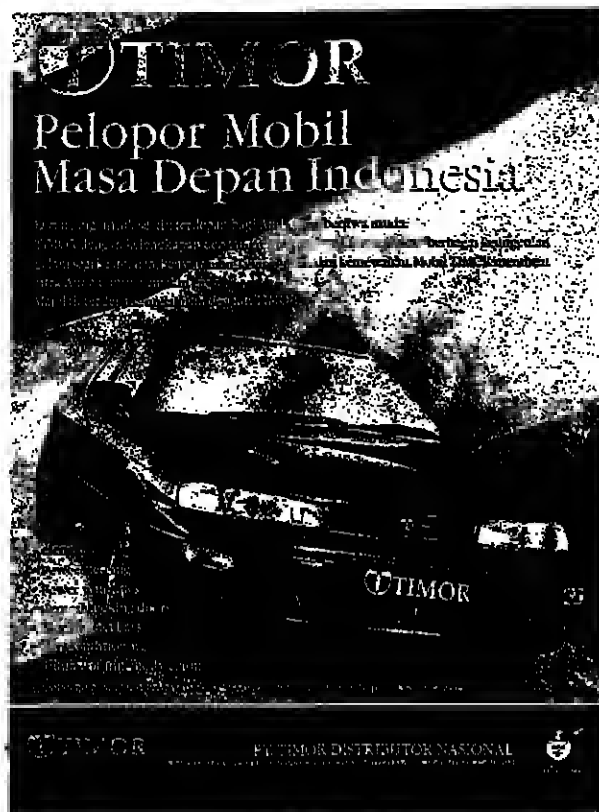
Timor says it will break into the passenger-based "commercial vehicle" market next year, when it launches a rebadged version of the Kia Sportage, a light-weight sports utility vehicle. The new model, to be called the JS201, would take the competitive battle right into its rivals' camp.

Timor is also planning more conventional steps to improve its sales. Mr Soemtro Soerachmad, chairman of Timor Distributor Nasional, the distribution arm, says it will add more dealers to its 72 outlets. Limited distribution was one of the main reasons for the company's slow start, he says.

Timor also wants to bolster its after-sales service. Mr Soemtro says consumer doubts about its ability to provide servicing was a significant constraint on sales. "We want to prove we can, but it takes time." In the longer term, the company also wants to break into the fleet car market.

But Timor's highest project is to complete its new car plant, 60km east of Jakarta. Work on the 300-hectare project started in February and should be completed by September next year.

The plant will be able to assemble 40,000 cars a year. However, Timor expects to move swiftly to a second phase, taking output to 70,000. Eventually, it would



The Timor: the prospect of sales taking off is fuelling objections from the EU under world trade rules

like to raise capacity to 120,000 units a year, says Mr Soemtro.

Only by building its own plant and installing local components in its vehicles will Timor be able to meet the tough local content levels required by the government in return for its "national car" status. Under the terms of the deal, future Timors will have to have 60 per cent local content by the end of 1999.

To develop its local suppliers and bridge the gap until its factory is ready, the company has sub-contracted assembly work to Indomobil, a rival. Equipment installation started in April, and pre-production models should be ready this month, he says.

The 2,000 vehicles coming off the lines at Indomobil

will be in addition to the 45,000 fully built-up Timors the company has contracted to import from Korea, says Mr Soemtro.

He is confident the company will be able to capture as large a share of the Indonesian passenger car market as the 70 per cent share held by Proton, Malaysia's main "national" carmaker, in its home market. But he is much less forthcoming on the thornier issue of trade talks and their potential impact.

"We were approached as the private-sector developer of the national car programme. Our priority is to achieve the 60 per cent local content target within three years," he says. The WTO dispute "is a government matter".

WORLD TRADE NEWS DIGEST

US in China tariff threat

Two influential Republican congressmen yesterday introduced legislation designed to force China to open its markets to foreign goods, speed its membership into the World Trade Organisation and end the annual controversial debate over renewal of China's Most Favoured Nation (MFN) trade status.

The bill introduced by Mr Doug Bereuter and Mr Thomas Ewing threatens higher tariffs on Chinese imports if Beijing does not adhere to world trade rules. "This is a tough but fair approach, and it ends the free ride that China currently gets under US trade law," Mr Bereuter said.

Under the proposed legislation, the US president could impose moderate tariffs - of about 4-7 per cent - on as many Chinese imports as deemed necessary. This is less draconian than revoking MFN - the lowest tariff level available - and would have less impact on US business.

This bill is designed to address the widespread concern in Congress over the soaring US trade deficit with China. China's average tariffs on US goods are 23 per cent, and it has a range of non-tariff barriers. Mr Bereuter said China's accession to the WTO would put multilateral pressure on Beijing for trade liberalisation. Currently, the US is alone in linking China's trade status with its behaviour on issues such as human rights and arms proliferation.

Adrian Michaels, Washington

House votes to lift tuna ban

The US House of Representatives has voted to lift a seven-year tuna import ban, imposed to protect dolphins in the eastern Pacific. The bill follows agreement by governments in the region stretching from southern California to Chile to bring in measures to prevent dolphin from being killed by the circular mile-long nets used by giant vessels to catch tuna.

US canneries are prohibited from using the term "dolphin safe" on tuna caught in huge circular nets, which have often inadvertently caught dolphins. If the bill is passed by the Senate, it will remove Mexico's threat to bring a potentially embarrassing complaint against the US tuna embargo at the World Trade Organisation.

The legislation faces tougher going in the Senate, where Democrats last year blocked the legislation and have vowed to do so again. The US lost an earlier case against the ban, brought by Mexico in the General Agreement on Tariffs and Trade.

Nancy Durne, Washington

Transocean wins drilling deal

Transocean Offshore, the US-Norwegian offshore drilling company formed last year, has won a contract worth \$88m to carry out exploration on behalf of a consortium led by Petro-Canada, the Calgary-based group. Transocean is to provide development drilling and completion services for the Terra Nova oil field off Newfoundland. Work is to start in the second quarter of 1998 using the group's semi-submersible Explorer platform. Transocean, formed when Houston-based Sonat Offshore Drilling acquired Norway's Transocean, said revenues from the contract would be around \$7m.

Greg McIner, Stockholm

Government says level of foreign interest in project is high

Hanoi pursues refinery goal

By Jeremy Grant in Hanoi

Vietnam still wants to build its first oil refinery at a remote coastal site, despite criticism by foreign oil companies that the plant will be uneconomical, and has been approached by the Japanese government with financial assistance for the scheme.

Mr Do Van Ha, head of international relations at the state oil agency PetroVietnam, said the government was pressing ahead and that about 20 foreign companies were interested. "The train has left the station and there are foreign companies running after it willing to jump on," he said.

Japan, by far Vietnam's biggest source of aid and concessional lending, had been in contact with PetroVietnam for the past two

years about possible involvement in the project.

Analysts believe Japan may be interested as a way of diversifying its sources of refined crude as well as for strategic reasons. Tokyo sees Vietnam as an important trading and security partner in South-east Asia.

The \$1.3bn refinery has been controversial ever since Total of France pulled out in 1995, saying it was too far from Vietnam's offshore oil fields to be economical.

In February, Hanoi appeared to rule out foreign participation when it rejected a proposal from a six-member foreign consortium to build the 130,000 barrels a day refinery at Dung Quat, on the central coastline. The group included Petrobras of Malaysia, Conoco of the US, South Korea's

LG Group and two Taiwanese companies.

The scheme remains a government priority and has come to represent Hanoi's enduring enthusiasm for socialist-style mega-projects, regardless of whether they can be financed.

Current costs are estimated at about three quarters of the country's foreign exchange reserves.

Yet Hanoi continues to issue conflicting signals, saying it will build the refinery alone, using scarce government funds and foreign bank loans, while claiming continued foreign interest.

Analysts see this as evidence of confusion in the Communist party hierarchy on how to proceed. Mr Ha indicated that strict government guidelines on financing and inter-ministerial confu-

sion were limiting PetroVietnam's room for manoeuvre in making it attractive to foreign bankers.

The analysts say the project, which could include a petrochemical complex, will probably go ahead because Vietnam believes it needs a refinery for strategic reasons. That will attract investors with their own particular motives, such as gaining access to Vietnam's currently closed retail fuels market.

Petrobras of Malaysia is known to be keen to introduce its refined products into the Vietnamese market, which is monopolised by PetroVietnam and its subsidiaries. LG of South Korea is attracted by the prospect of clinching sizeable construction contracts associated with such a large project.

Unions see threat of job losses in European textile industry

By Robert Taylor, Employment Editor, in Oporto, Portugal

Between 600,000 and 800,000 jobs could disappear over the next few years in the European Union's textile, clothing and leather industries, due to increasing global competition.

This gloomy forecast is contained in a trade union action programme to the year 2001 which will be agreed today at a conference of the European Trade Union Federation for the sectors in Oporto.

The unions cite declines in European textiles, clothing and leather as a consequence of the phasing-out of the multi-fibre arrangements, as well as the likelihood of better market access for Chinese exports if it joins the World Trade Organisation.

Other impinging factors include liberalisation of trade within eastern and central Europe, and the EU's customs union with Turkey. At present an estimated 2.8m workers are employed in the EU in textiles, clothing and leather industries.

Most of the workers are women. In recent years, job cuts due to intensifying competition in the EU market have accelerated, with up to 190,000 job losses in 1993 alone. The union federation fears this trend is escalating.

The European Federation calls for a number of reforms, including cuts in working time, more vocational training, harmonisation of working conditions to prevent "social dumping", framework agreements that lay down minimum standards, and a reduction in non-wage labour costs.

Textile unions say they accept globalisation is "an irresistible process" but insist the WTO and International Labour Organisation must develop "an effective mechanism" to ensure countries which do not respect the ILO's core fair-labour standards "do not continue to benefit from the international trading system".

The action programme calls for the automatic inclusion of a social clause in all EU agreements with other regions and countries, as well as codes of conduct and social labels.

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CONTRACTS & TENDERS

NOTICE OF WORKS CONCESSION
(Directive 93/37/CEE)

1 - CONTRACTING AUTHORITY
Chambre de Commerce et d'Industrie Nice Côte d'Azur
20, Boulevard CARABACEL
06000 - NICE (France)
Tel: (33) 4 93 13 75 05 Fax: (33) 4 93 13 75 00

2A - LOCATION OF WORKS PERFORMANCE
NICE-CÔTE D'AZUR AIRPORT
NICE-06300-FRANCE

2B-PURPOSE OF THE CONCESSION OF WORKS, NATURE AND SCOPE OF SERVICES:
Reference of the project: A.E.I.
Purpose of the concession of works: Appointment of the beneficiary of an agreement of temporary occupation of a government-owned land within the airport area. The beneficiary will be responsible for financing, building and operating a real estate complex of 50,000 square meters intended to accommodate trade shows at the Nice Côte d'Azur Airport, and a parking of 25,000 square meters.

3A - DEADLINE TO SUBMIT APPLICATIONS: June 24, 1997 at 4 P.M.

3B - ADDRESS TO FORWARD APPLICATIONS:
Refer to 1 above - Direction des Grands Projets d'Equipements
Reference to indicate on the envelope: "A.E.I. - Appel à candidatures"

3C - LANGUAGE IN WHICH THE APPLICATIONS MUST BE DRAFTED
French

4 - PERSONAL, TECHNICAL AND FINANCIAL CONDITIONS TO BE MET BY THE CANDIDATE:
The candidates, who can submit their applications either alone or in a group, will have to establish that they have financial capabilities as well as economic and commercial operating capabilities.
The financial capability of the candidate will have to be established by submitting relevant bank references, balance sheets and corporate accounts of the last three years or any other equivalent document as well as a list of similar transactions, in the establishment of which the candidate was involved.
The operating capability will have to be established by submitting references in the area of operations of showrooms or trade shows.
These references will have to be as precise as possible. They must indicate and describe achievements and projects from a commercial and economic viewpoint.
The candidate must be in order with his tax, tax related and social security obligations. The candidates who do not meet the conditions mentioned in Articles 24 a), b), c), e), f) and g) of Directive no. 93/37/CEE could be excluded from participating in the selection procedures.

5 - CONTRACT AWARD CRITERIA:
The selection procedures with respect to candidates to be chosen will be carried out in two phases. First, the shortlisting phase according to which the list of candidates authorized to submit a tender will be approved. Second, the final selection phase with respect to the tenders submitted by the candidates accepted.

Selection criteria of the candidates during the shortlisting phase:
- technical value (know-how and references)
- financial guarantees
Selection criteria of the tenders for the contract award:
- technical and commercial value of the tender
- financial conditions of the offer

6 - OTHER INFORMATION
Documents presenting the project and the major rights and obligations of the candidates are made available to the candidates at the address indicated in 3 above in exchange for a cheque of FF. 5,000 as guarantee. This cheque will be cashed if the candidate does not submit an acceptable application. The documents supplement the information given in this notice.
Meetings to present the project and visit to the site can be arranged.
Additional information can be requested in writing to the contracting authority at the address mentioned in 3 above.

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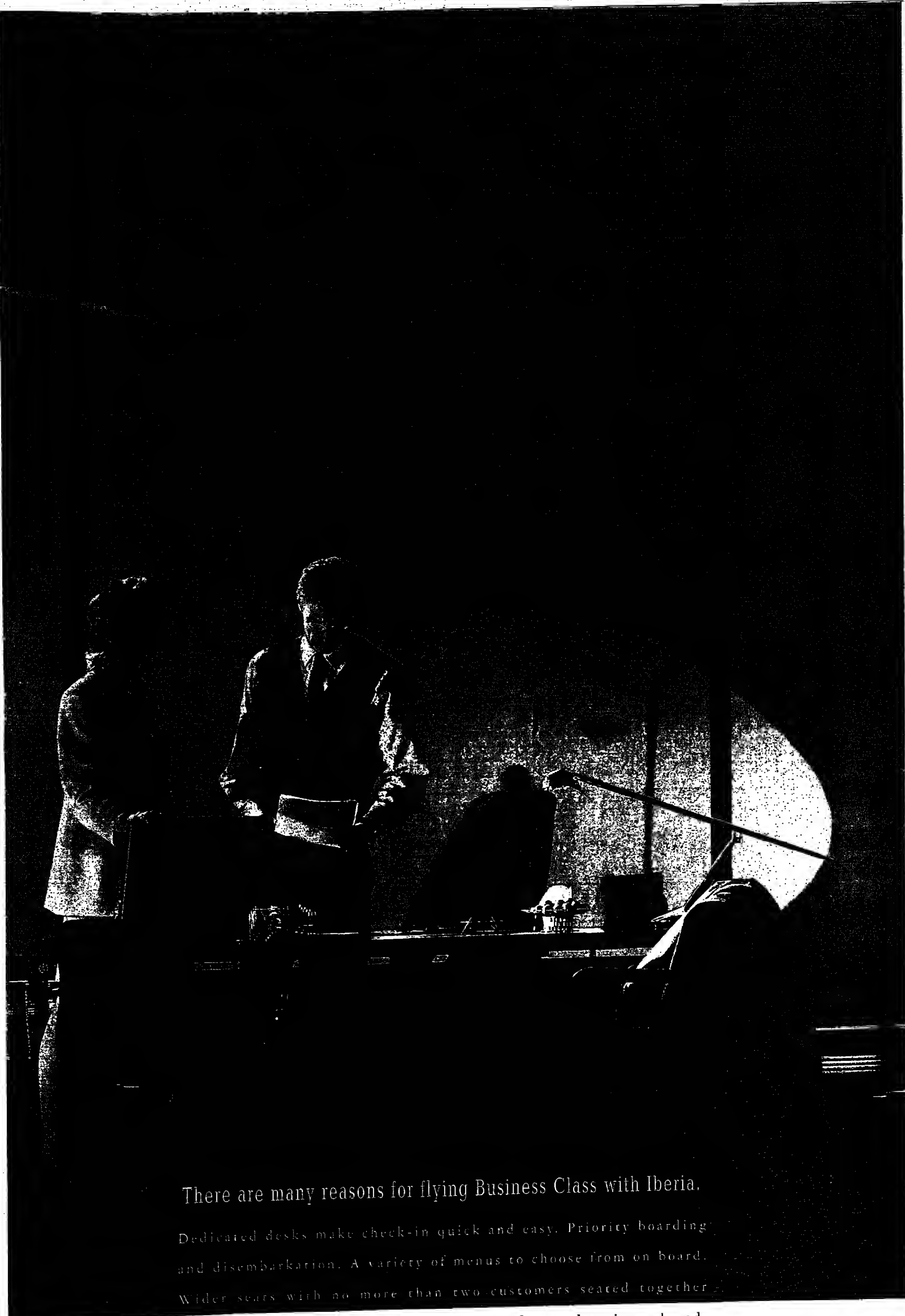
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Senate backs constitutional change

Boost for Cardoso re-election hopes

By Geoff Dyer in Brasília

The Folha de S. Paulo printed transcripts of a taped conversation in which one deputy claimed to have received R\$200,000 (US\$187,000) in cash in return for voting for re-election.

The newspaper also printed a conversation in which one of the deputies said part of the money had come from Mr Sérgio Motta, the communications minister and a close ally of Mr Cardoso. Mr Motta has denied the allegations.

Two of the deputies involved in the allegations, Mr Ronivon Santiago and Mr João Maia, resigned from Congress on Wednesday shortly before a preliminary parliamentary investigation into the scandal recommended they be impeached.

However, opposition deputies have so far failed to collect enough signatures to secure an urgent and full inquiry, known as a CPI, which could delay the re-election amendment and also votes on other important pieces of legislation for several months.

"This scandal will now disappear because the two deputies have resigned and because the government has avoided the turmoil of a CPI," said Mr Walder de Góes, a political consultant in Brasília.

Although the evidence against Mr Motta is weak, the scandal caused a sharp drop in the stock market last week and has had a significant impact on the government's popularity. A recent poll showed a 20 per cent fall over the past month in approval for Mr Cardoso, who had enjoyed a reputation of being free of corruption, although his rating is still high.

The senate voted 63 to 6 in favour of the amendment, well ahead of the 49 votes needed to pass a constitutional amendment. Many opposition deputies were not present. The final vote on the bill, which also allows state governors and mayors to stand for re-election, is not expected until at least June 4.

Problems mount for Haiti leader

Mr René Prével, Haiti's beleaguered president, has been hearing disconcerting voices recently. One is that of Mr Jean-Claude Duvalier, the former dictator overthrown and exiled by a popular rebellion 11 years ago.

In a radio address, Mr Duvalier, who lives in France, asked to be pardoned and to be allowed to help "change" Haiti. Mr Prével, facing a wave of public protests against his attempts to deregulate the economy, and hampered by a widening split in the political coalition which ensured his election 18 months ago, declined the offer.

But the president is more worried by an insistent voice from the immediate past. Mr Jean-Bertrand Aristide, the populist former president, and once considered Mr Prével's mentor, has become one of his harshest critics.

In recent legislative elections, Mr Aristide's faction of the incumbent Lavalas (Flash Flood) coalition made gains which indicate Mr Prével could have difficulty in getting approval for his economic programme.

Mr Aristide's political stock is expected to rise after run-off elections in several constituencies next month. He has two aims: to abort



Prével: faces protests

Aristide: eyes on 2000

the government's economic reforms and create a political base for his campaign for the presidency in 2000.

At the centre of their disagreement is the effort to privatise unprofitable state enterprises, including the telecoms and power companies, a cement plant and a flour mill, two banks and the main airport and seaport. The government is also trying to cut the bloated civil service and ease pressure on the budget.

Mr Aristide reneged on a promise to foreign donors and creditors to implement

the reforms, particularly the privatisation, and has been arguing openly and frequently against his suc-

cessor's efforts to start the programme.

After several months' indecision, during which street protests broke out against the privatisations, Haitian legislators approved the programme late last year. The government is planning to invite bids for the enterprises.

Implementing the economic reforms will unlock hundreds of millions of dollars promised by donors and creditors. Mr Prével contends also that unless infrastructure such as telecoms, electricity and transport are modernised, Haiti cannot

hope to attract the foreign investors it needs to build the economy and create jobs

to curb unemployment of 80 per cent.

Since 1991, when Mr Aristide was overthrown and exiled, Haiti's economy has contracted by about 40 per cent. Haiti's 7m people are among the poorest in the hemisphere, with income per head of \$210.

Some foreign assistance may follow parliament's ratification of the budget this month, seven months into the fiscal year. More than two thirds of the budget is being financed by foreign aid, withheld while legislators hesitated.

The government has been financing its operations mainly through tax receipts, and all capital spending has been frozen.

A wave of violent crime has also added to Mr Prével's problems. Several people have been killed since the start of this year in what government officials say are fights among gangs involved in illegal drugs. An international peacekeeping force has been assisting Haiti's newly created constabulary.

Mr Aristide has opportunities to take political advantage of Mr Prével's problems, and to help prepare his candidacy for 2000. With the lack of the substantial quantities of foreign assistance promised, most Haitians

have yet to see an improvement in their lives since the military junta was forced out of the country by a US invasion four years ago.

Widespread public disenchantment is reflected in the frequent strikes and street protests which have hit the country in recent months. Protests organised by populist groups have demanded the resignation of Mr Rosny Smarth, the prime minister, for wanting to implement economic reforms.

Victories by Mr Aristide's faction in the first-round vote could lead to increased pressure in the legislature on Mr Smarth, who recently survived a censure motion for trying to start the reforms. If another motion is successful, Mr Smarth will be forced to resign, further disrupting the government's economic programme.

Mr Prével has good reason to eschew Mr Duvalier's plea to return to "help". The family dictatorship which ruled the country for 30 years has some support, but many of its excesses are still fresh in Haitian minds. Mr Duvalier could expect to be the subject of widespread anger. Containing this would be another problem Mr Prével could do without.

Cauter James

Mexico growth rate defended

By Daniel Dombey in Mexico City

Mexico's central bank has furiously denied it is overheating the domestic economy - just as newly published figures show retail sales continuing a two-year fall.

Mexico's gross domestic product grew 5.1 per cent for the first quarter against the same period last year, but the domestic sector lags far behind. First-quarter retail sales were 3.5 per cent below the level for the first quarter of 1996, itself down 10 per cent from 1995.

The bank's continued sensitivity, 2½ years after the disastrous 1994 peso devaluation, illustrates how strongly it feels the pressures to continue a cautious, conserva-

tive approach. Bank officials said that even if the country grew considerably more than expected for the current year, it would still keep to its present targets for money supply for the end of the year.

Reports linking a surge in the money supply in recent weeks to crucial congressional elections to be held on July 6 angered the bank, and normally reclusive top officials leapt to defend themselves.

In 1994, a presidential election year, the bank let the money supply grow ahead of demand, a move thought to have contributed to the devaluation. But it is now keen to show both its monetary strictness and its independence of the executive arm of government.

AMERICAN NEWS DIGEST

Bipartisan plan to reform FDA

Congress is pursuing plans for limited reform of the Food and Drug Administration (FDA), with bipartisan legislation introduced yesterday to speed regulatory approval of medical devices.

Chastened by their performance in last year's elections, Republicans have backed away from their plans for a radical overhaul of the regulatory agency, and are instead seeking bipartisan support for piecemeal reforms.

Yesterday's bill, which has support from some prominent Democrats as well as Republicans, would allow the FDA to privatise the approval of low-risk devices, such as surgical gloves and syringes, though the agency would still have to approve life-saving devices such as heart pacemakers. A proposal to allow independent approval of life-saving devices as well was dropped to improve the chances that Democrats will support the bill.

The cumbersome regulatory process has meant new technologies are introduced overseas first. The bill would allow devices approved overseas to come immediately to the US market, because the US would accept international performance standards. *Paul Waldmeir, Washington*

Review for company auditors

The US's first broad review in nearly 15 years of the independence of company auditors is set to begin within weeks, following agitation from Mr Arthur Levitt, chairman of the Securities and Exchange Commission.

Mr Levitt's agency and the Institute of Certified Accountants earlier this week announced a joint body, the Independence Standards Board, to set standards which ensure that auditors are fully independent of public companies whose accounts they verify.

The SEC last laid down standards in this area in 1983, before the expansion by most large accounting firms into management consulting and other advisory services. That push has raised concerns in some quarters that accounting firms are now so dependent on their customers for other fees that the independence of their audit work could be in danger.

The new board, with four members drawn from the accounting profession and four from outside it, is likely to lay out a timetable for overhauling the SEC's existing standards when it meets for the first time early this summer, the AICPA said. *Richard Waters, New York*

US imposes Iran sanctions

The US yesterday imposed sanctions on two Chinese and one Hong Kong company suspected of having contributed to Iran's chemical weapons programme.

Mrs Madeleine Albright, the US secretary of state, used the action, while testifying before a congressional committee, to proclaim the administration's "deep concern" about Chinese companies' contribution to weapons proliferation. However, senior US officials have privately said Beijing's co-operation on weapons sales to outlaw states has improved. The State Department noted that it had "no evidence that the Chinese or Hong Kong governments were involved in the specific transfers that have provoked these sanctions".

The companies allegedly exported dual-use chemical precursors or chemical production equipment and technology to Iran.

The punishment prohibits any imports from these entities to the US for at least a year and denies them US government contracts. *Nancy Dunne, Washington*

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Investigation seen as signal that government will intervene in rail privatisation process

Monopolies move hits transport shares

By Charles Batchelor and Charles Gresser

Shares in the National Express coach group fell 5.5 per cent yesterday after the government ordered that its acquisition of the ScotRail and Central Trains rail franchises should be investigated by the Monopolies and Mergers Commission, the competition body.

The prices of other transport companies with rail interests also fell sharply as the City reacted to a move widely seen as a warning that the government will intervene even at this late stage in the rail privatisation process.

Mrs Margaret Beckett, president

of the board of trade [chief trade minister], ignored the advice of Mr John Bridgeman, director-general of fair trading, to clear the ScotRail acquisition - provided National Express sold off its Scottish coach company - and to allow the Central Trains acquisition through without conditions.

Mr Colin Child, National Express finance director, said he was "surprised" at this ruling, particularly because the office of fair trading had had no objection to the company's acquisition of the Central franchises.

There was strong competition in Scotland from other bus and train operators, he added.

National Express would have liked the opportunity to discuss the possible divestment of Scottish Citylink, its Scottish express coaches subsidiary, and hoped to discuss this and other options with the MMC.

This is National Express's second brush with the competition authorities.

Earlier this year it was forced to give guarantees that it would not increase coach fares or reduce timetables to win MMC approval for its acquisition of the Midland Main Line franchise.

Mrs Beckett said that the acquisition of the ScotRail and Central franchises raised competition con-

cerns in the supply of public passenger services in Scotland and the English Midlands.

She had decided in both cases "that the merger should be referred immediately to the MMC for a thorough investigation". The MMC has until September 19 to report.

National Express's shares closed down 28½p to 480½p, compared with a high earlier this year of 573½p. ScotRail and Central Trains are forecast to contribute £5.2m (£8.42m) of operating profits to total operating profits of £78.4m in the current financial year, according to NatWest Securities.

Other bus stocks were also hit on

fears that those awarded rail franchises could also come under scrutiny. A tougher regulatory climate was also a concern.

Stagecoach slipped 13p to 643p, while Go Ahead slumped 23p to 448½p and FirstBus eased 7½p to 214p.

National Express was the most successful bidder for rail franchises, winning five of the 25 on offer - more than any other bidder.

Its move into rail services followed its earlier expansion out of coaches into airports and buses.

BANK OF ENGLAND REFORM - Investors concerned over lack of detail

Financial regulation comes under one roof

By George Graham and William Lewis

City regulators set to work yesterday to try to flesh out the plans for creating a new and all-embracing regulatory authority for the UK financial services industry.

Mr Howard Davies, deputy governor of the Bank of England, has two months before he is due to take over as chairman of the Securities and Investments Board, the umbrella regulator which is to assume responsibility for regulating everything from banking to pension sales.

But although the broad outline of the new super SIB has been sketched by Mr Gordon Brown, the chancellor of the exchequer, many of the details of how it will work remain to be filled in.

The financial institutions which will come under Mr Davies's wing now want to know where they stand as soon as possible.

"I would rather see decisions taken and maybe

one or two of them be wrong than dither around," one senior banker said.

In a first phase, responsibility for supervising banks will be transferred to SIB by a bill that is expected to be passed before the end of this year.

In the next session of parliament, the 1998 Financial Services Act will be overhauled to bring self-regulatory organisations such as the Securities and Futures Authority, the Investment Management Regulatory Organisation and the Personal Investment Authority into SIB.

Sir Andrew Larga, who will hand over SIB chairmanship to Mr Davies in July, has been given until then to draw up a blueprint detailing how the self-regulatory organisations should be merged into an enlarged SIB.

But Mr Phillip Thorpe, chief executive of Imro, regulator of the fund management industry, warned Sir Andrew that "key questions" need to be

answered if the government's planned overhaul of financial services regulation is to be successful.

Mr Thorpe said that the three SROs currently use different supervision and enforcement methods to regulate their industries.

"Which methods should be used?" he said. "Should a single method be used? If several methods are to be used then how do it in one organisation?"

Imro employs a relative risk assessment process which leads it to target resources at firms seen as potentially risky and reduce the regulatory burden on those deemed low risk.

Mr Thorpe also said that the three SROs have different enforcement styles, including the level of fines they levy. "That is another key question," he said.

The financial institutions which will eventually come under SIB's aegis range from small financial advisers to multinational investment banks, but they are



Moving on: Howard Davies is to become chairman of SIB

concerned that the new structure will deal with them even-handedly.

"The most important priority is to make sure the playing field is level for everybody and that if the goal posts are moved, they are moved for everybody at the same time," said a senior City executive.

Fund management houses which have come under

Imro say that their regulator has been tough and effective. They complain, however, that competitors offering much the same kind of product who happened to be regulated by less effective organisations such as Fimbra and Lauto - now merged into the PIA - have got away with a much lighter regulatory regime.

Farming minister focuses on consumers

By Maggie Urry and George Parker

Mr Jack Cunningham, the UK agriculture minister, vowed to "have a consumer voice on every one of the advisory committees" the department runs, in a move towards more openness and public scrutiny.

In an interview with the Financial Times, he emphasised that the health and safety of consumers was his priority in a "reorganised, redirected and reinvigorated" department. He promised "hold and dramatic changes".

In the past, the ministry has been accused of putting industry concerns before those of consumers. Food policy experts have criticised the advisory committees - such as those on BSE or mad-cow disease, and novel foods, including genetically modified organisms - for being the preserve of scientists and industry representatives.

However, after only three weeks in a job which he did not expect before the general election, Mr Cunningham has yet to make any important policy decisions, for instance on the beef export ban, fishing quotas or the Common Agricultural Policy.

He said reform of the CAP was inevitable. Half the CAP budget went on supporting cereals, beef and milk products which were in excess supply. "In my view, there is no future for milk quotas," he said. He is to discuss the milk regime over the weekend at an informal meeting of the European Union agriculture council.

He said that he expected the UK to push its European counterparts towards CAP reform during its EU presidency in the first half of 1998.

On the beef ban, he said that although he had received a warm welcome in Brussels, there was "no guarantee that we're going to get exactly what we want. We have still got to find solutions which will carry the opinion".

He was pressing in Brussels for the agriculture council to accept a Commission proposal to make controls on beef as stringent elsewhere in Europe as they are in the UK.

UK NEWS DIGEST

Political vote demand denied

The former ruling Conservative party's 164 MPs last night rejected a demand by grassroots activists to have a vote in next month's leadership election.

After a meeting of the backbench 1922 committee, Tory MPs decided the contest to replace Mr John Major should be run under existing rules. That means the MPs will remain the only people to elect his successor.

The parliamentary party unanimously backed a statement by Sir Archie Hamilton, the 1922 committee's chairman, which said there must be "root-and-branch" reform of the party's organisation after the new leader is chosen. This would almost certainly encompass a change to the method by which new leaders can be elected.

However, yesterday's decision by the 1922 committee - and the very short length of time it took to reach it - was a clear snub to Mr Robin Hodgson, the chairman of the activists' National Union, who had insisted that activists must be allowed to vote in next month's poll.

It was also a rebuff to Mr Brian Mawhinney, the party chairman, who had suggested that an electoral college should be set up at once in which activists had 15 per cent of the total vote. Backbench MPs will be privately informed of the activists' choice before the first ballot in the leadership election on June 10.

But the Conservatives could face the embarrassment of having a new leader elected by MPs at Westminster while the unofficial poll conducted by the activists selects someone else.

DEVOLUTION

Warning on Scottish tax levy

Sir Bruce Patullo, chairman of the Bank of Scotland, has warned that the proposed Scottish parliament may eventually tax goods and services or levy an additional Scottish sales tax to gain revenue.

The warning, in the Edinburgh institution's annual report, angered the government, which laid great emphasis on Scottish and Welsh devolution in its election campaign. Other supporters of devolution have accused Sir Bruce of scaremongering. Under Labour's plans, the Scottish parliament would be able to vary the basic rate of income tax by up to 3 pence in the pound, provided this power were approved in the referendum on the scheme, expected in the autumn. The revenue would supplement the annual grant Scotland receives from the Treasury.

Sir Bruce said that apart from being controversial, "many serious collection, administrative and motivational problems concerned with this income tax levy remain hidden." "For these reasons, the likelihood of a switch to some form of tax on goods or services, or an additional Scottish sales tax, must become a distinct possibility."

But Mr Henry McLeish, the Scottish Office minister responsible for devolution, said the only form of taxation the government was considering for the Scottish parliament was extra income tax.

RAILWAYS

\$61m order for rolling stock

National Express Group, the coach and rail operator, has ordered 13 new two-car trains from Adtranz (ABB Daimler-Benz) for its Midland Main Line train company at a cost of £38m (\$61.56m). It is the fifth rolling stock order to be placed since rail privatisation and confirms the growing momentum of new train orders following a gap of nearly three years while British Rail was sold off.

It is the first time that new trains have been ordered to allow an increase in service frequencies rather than to replace obsolete rolling stock, said Mr Richard Brown, managing director of National Express's trains division.

The new trains will be run in conjunction with Midland Main Line's existing fleet of 14 high-speed trains which are being refurbished and which will concentrate on long-distance services. The trains will be built at Adtranz's Derby works, securing about 200 jobs, and will be maintained by the company for seven years. The deal has been financed by Porterbrook Leasing, the rolling stock leasing company acquired last July by Stagecoach, the bus and train group.

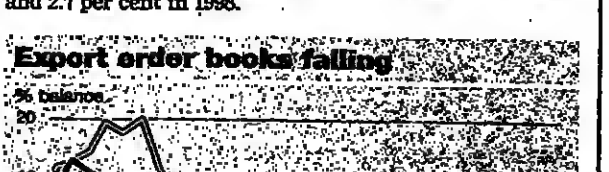
EMPLOYERS' FORECAST

Curb on consumer spending urged

The Confederation of British Industry is to call for the government to restrain consumer spending by raising personal taxes in the forthcoming Budget.

The main UK employers' organisation said yesterday it would present the details of its recommendations when the date of the budget was known. Ms Kate Barker, the CBI's chief economist, said it would call for "a modest fiscal tightening" that should fall mainly on consumers.

Ms Barker's comments came as the CBI published its quarterly forecast, which predicted the UK "will enjoy robust economic growth over the next two years". It expects the economy to expand by 3.1 per cent this year and 2.7 per cent in 1998.



The CBI also expects weaker export volumes this year compared with last, because of the strength of sterling and the slow recovery in Europe. In its latest monthly survey of companies, 30 per cent said their export orders were "below normal", the lowest level since 1993.

Ms Barker said there were evenly-balanced risks that the economy could grow faster or slower, depending on sterling's exchange rate and the reaction of consumers receiving "windfall" pay-outs from former mutually-owned home loan companies.

LONDON STOCK EXCHANGE

Cost-cutting boosts profits

The London Stock Exchange is to pay a £10m (\$16.20m) rebate to member firms after severe cost-cutting boosted its profits last year. Booming share trading volume and a strong inflow of companies wishing to list their shares on the London market helped to support the Exchange's total income at £191.8m in the year to March 31, despite the gradual loss of fees from settlement.

Settlement of share bargains started to move from the Exchange's Tailsman system on to the independent Crest system last year, but last year's results still included around £55m of income from settlement. The transition to Crest was completed in April so that income will disappear entirely in the current year. As a result, the Exchange faced a monumental task in cutting costs in line with future income. Costs were cut last year by 24 per cent to £122.4m, the fourth year in succession that they have been reduced. Provisions of £41.5m were set aside to cover restructuring costs.

George Graham, London

More in line with US and Germany

Within two weeks, Mr Gordon Brown, the chancellor, announced two of the biggest changes that could happen to a central bank: virtual independence in the pursuit of monetary policy, and its physical separation from banking supervision.

Mr Brown's combined proposals are certain to have an unprecedented impact on central banking culture in the UK, which has been traditionally distinct from that of the US and Germany.

The changes will bring the Bank of England more into line with the Bundesbank and the Federal Reserve, both structurally and culturally.

The new Bank's job will be to focus much more single-mindedly on meeting its monetary policy objectives. It will look more towards the country as a whole, and much less to the City of London. It will focus more on fighting inflation.

Mr Charles Goodhart, professor of banking and finance at the London School of Economics, said: "The day-to-day links with individual commercial banks will be less and the Bank of England will be driven by economic analysis and forecasting and rather less by City considerations."

"But City considerations are not

going to disappear altogether. It does not mean that the Bank of England will cease to concern itself about systemic failures."

The Bundesbank's prime concern is the pursuit of monetary policy with the aim of achieving price stability.

Mr Rolf Breuer, the new chairman of Deutsche Bank and a long-standing proponent of more proactive government policy to boost Frankfurt's international position as a financial centre, said in a recent Financial Times interview that the Bundesbank may have tried to promote German financial markets when it could but "what they had was a sort of priority conflict."

"So they did not want to give the impression that the financial market comes first and then stability - it was just the other way round."

Another observer remarked "that is one of the reasons why the Euro-dollar markets are in London rather than in Frankfurt". Out of political considerations, the future European Central Bank will also fall in the same category of central banks. French officials have expressed suspicion that Germany may use the ECB to promote Frankfurt as a financial centre at the expense of Paris.

By contrast, the old Bank of

England's remit has been wider. It had an explicit role as a guardian, lobbyist and policeman of the financial system in general and the City of London in particular. In future its role will decline to that of a customer of the financial system.

One member of the previous chancellor's panel of financial advisers believes that this development is a mistake. "It is a good thing to have banking supervision inside the Bank," he said. "A separate agency has no money whereas a central bank at least has the power to print notes. It can give capital assistance if a bank gets into trouble."

The new focus will bring other cultural changes. Independent central banks, for example, tend to be far less discreet and secretive. Furthermore, the Bank will have to take on a political dimension, since setting monetary policy remains a highly political task. Even headline monetarists acknowledge that monetary policy requires a great deal of judgment in addition to scientific analysis.

The political battles previously took place at the monthly monetary policy meetings between the chancellor and the governor of the Bank. This will shift to inside the Bank itself - to the Bank's proposed mon-

etary committee, a move which could have implications for appointments. Since the government has removed itself from the process, it may now have to inject politics into the central bank as a recompense.

The boards of the Federal Reserve and the Bundesbank are highly politicised. Mr Hans Tietmeyer, the president, was a former finance ministry official and close adviser to Chancellor Helmut Kohl. The Bundesbank council also includes a former EU commissioner and a state finance minister.

The Bank of England may find it will have to develop more finely tuned political antennae - listening especially to the concerns of the regions, especially after devolution. The regional representatives on the board of the Bundesbank, widely dismissed as backwoodsmen, are a powerful force in German monetary policy.

If Britain were to join European economic and monetary union, full central bank independence would be a legal prerequisite, set out in the Maastricht Treaty. By opting for this particular structure, Mr Brown has taken an important step in the preparation for Enn, whether by intent or not.

Wolfgang Münchau

Hopes for N Ireland assembly improve

By David Wighton, Political Correspondent

Plans for a Northern Ireland assembly could be agreed before the end of the year, said Mr David Trimble, leader of the Ulster Unionists yesterday.

He was upbeat about the prospects for multi-party talks, which resume on June 3 and said devolution for the province could follow the same timetable as Scotland and Wales, with legislation introduced next year.

Progress hinged, however, on nationalist representatives, particularly Mr John Hume, the Social Democratic and Labour Party leader, being prepared to engage in talks in the absence of Sinn Féin, the political wing of the Irish Republican Army.

"If there was a serious engagement by the SDLP, I think we would know very quickly indeed as to whether we could get an agreement," said Mr Trimble, whose party is the largest pro-British party in Northern Ireland.

"I see no reason why there

cannot be rapid progress in this matter."

Mr Trimble, at a Westminster press conference, played down comments by Ms Marjorie Mowlam, Northern Ireland secretary, which appeared to suggest the talks would go ahead even if all the unionists pulled out.

He said they had been "unconsidered remarks" in response to an interviewer and should not be taken as a statement of policy.

Ms Mowlam yesterday attempted to clarify the comments, which had drawn sharp criticism from the Democratic Unionists, who are worried about an apparent softening of the government's conditions for allowing Sinn Féin into the talks.

Mr Peter Robinson, deputy leader of the Democratic Unionists, accused Ms Mowlam of being "a loose cannon". But Ms Mowlam said she meant that no one party should have a veto.

Even this was implicitly denied by Mr Trimble. He said: "Without me there is no viable process."

Brushing aside Ms Mow-

lam's remarks, he said attention should focus on the recent speech by Mr Tony Blair, the prime minister, which received an enthusiastic welcome from unionists.

Mr Blair said conditions for Sinn Féin's entry into the negotiations remained an unequivocal IRA ceasefire in which words were matched by deeds.

Ms Mowlam said this made it unlikely Sinn Féin would be admitted in time for the start of the talks.

Ms Mowlam was speaking before leaving for Washington where she will ask for US help in pressing the IRA to call a ceasefire. She will be meeting government officials and leading Irish-American politicians.

"I shall encourage those Americans with Northern Ireland's best interests at heart (and there are many of them) to bring their influence to bear on Sinn Féin to respond to the prime minister's initiative, seeking a restoration of an unequivocal ceasefire that would enable Sinn Féin to enter the talks process," she said.

Operators collaborate in 'world phone' trials

By Alan Cane in London

Vodafone, the UK's leading mobile phone operator, and Qualcomm, the US are collaborating in trials which could lead to the emergence of the first "world phone", capable of functioning in the US, Europe or Asia.

The trials will take place in the UK this year. The aim is to test the feasibility of developing a mobile phone network combining the best features of Europe's GSM standard and its US competitor, CDMA.

CDMA (code division multiple access) has found favour with a small number of US operators, but could prove superior to GSM for basic network technology.

Qualcomm, based in San Diego, has taken the lead in modifying CDMA technology, which is derived from military satellite communications, for civilian use. It promises to lower costs, allow up to 10 times the number of calls over the same radio spectrum as today's analogue systems and reduce failed calls.

One-2-One, the smallest of the UK's four mobile phone operators, is introducing new tariff packages from June 3, but claims it is not starting a price war, Alan Cane writes.

The new packages are similar to those pioneered two years ago by another mobile operator, Orange, in which a number of free minutes of talk time is included in a monthly fee.

One-2-One has been struggling to overcome the effects of a launch initiative in which customers were offered free calls at the weekend and in off-peak hours, resulting in congestion on the airwaves and loss of revenues.

GSM (Global Standard for Mobile telephony), however, has been established in Europe since 1982 and is used by more than 40m customers in 105 countries. It is gaining popularity in the US with 400,000 customers in 323 North American cities.

The trials will involve four CDMA commercial base sta-

tions and a controller provided by Qualcomm, while Vodafone will provide the physical sites and a mobile switching centre. The handset will be modified Qualcomm phones using software from The Technology Partnership, a small UK consultancy whose technology is increasingly used by mobile phone manufacturers.

The companies said the results of the trial would be available to the mobile communications community with a view to helping in the development of a third generation standard.

The Technology Partnership said it had sold more than 1m sets of silicon chips developed for mobile phones in the past six months.

Manufacturers seeking fast entry to the mobile handset market can buy the partnership's chips off-the-shelf to power their phones. The partnership's customers include Toshiba of Japan and Hagenau of Germany. The company said it had about 10 per cent of the world market for handset technology.

Those responsible for recruiting graduates among UK universities could be forgiven if they found a new report on the job-finding efforts of students depressing reading.

The report by High Flyers Research, graduate employment consultants, criticises the "hostile culture" towards employers that persists in Britain's leading universities.

This culture, which promotes academic achievement over job-finding, was blamed in the report for a low level of job expectations among students. Only just over a quarter of 13,000 final-year students surveyed in 24 top universities said they believed they would start a graduate job after university.

Mr Martin Burchill, director of the research consultants, criticises universities for failing to encourage students to plan their careers. The problems are so entrenched that Sir Ron Dearing is expected to make a number of recommendations for reform in his review of higher education. It would seem that the traditionalists are already fac-

Universities should do more to push graduates into the job market, says Richard Donkin

Hostile culture of the ivory towers

ing pressure for change from within the system. Mr Simon Hamm, careers guidance and placements tutor at the European Business School London, says it is time for university careers centres to become less of a library and information service and more of a marketing team actively helping students to find work.

"It is absolutely appalling that universities treat students as third-rate citizens. It's not good enough just to give them a book on how to be an accountant," he says. "There should be a careers education module in all courses that gets students thinking about the implications for careers of their particular course."

Mr Hamm believes the publication of university destination statistics could help people select their courses and colleges. Such statistics, however, have been notoriously hard to come by, particularly when universities

suspect they may be included in league tables. There is also a caveat attached to such tables in that many of the universities which tend to do well in these comparisons run a high number of sandwich courses. It might, however, be possible to include a weighting to account for such courses.

It may also be possible to publish other figures which could be useful to prospective students. Mr Tony Watts, director of the National Institute of Careers Education and Counselling in Cambridge, is compiling a report for the Association of Graduate Careers Advisory Services, due to be published next month.

He found big inconsistencies in the quality of careers advice at different universities with ratios of students to advisers ranging from 1,000:1 to 7,000:1. "Some have the resources for innovation and development but some

are trying to cope providing a minimal service to masses of students," he says.

There are other factors in the High Flyers Research findings. Graduate employers, which predict a 12 per cent rise in job vacancies, should not be so surprised if students are reluctant to embark on their careers. Some students who have absorbed the rhetoric that suggests there are no longer jobs for life have become wary about pursuing careers where they feel there is no guaranteed future.

Watts points to the increasing demands of academic life, including greater use of continuous assessment, which encourage students to concentrate on the university work. But such changes, he argues, should not prevent universities from encouraging students to think about their careers at an earlier stage and in a more structured way.

Mr Hamm's demand for

universities to become more active would seem to make sense. But it begs the question of whether some can change. These are issues which need to be addressed in detail. If universities are not prepared to put their careers departments on a more professional footing, there may be an argument for scrapping them and either privatising the best ones or centralising the function so that all students can obtain the best advice.

Sport selection

Football club managers accustomed to reading about vacancies in the sports news columns might have been intrigued to see a newspaper advertisement last week for the job of general manager - football operations, and first team coach at Celtic Football Club in Glasgow, Scotland.

The departure of Mr Tommy Burns has not only led to a search for his suc-

cessor but has also resulted in a remodelling of the club's management along continental lines, separating team coaching duties from those of the general manager who will be responsible for budgets, player transfers and club's overall performance.

The club has asked Melville Craig Group, an Edinburgh-based human resources consultancy, to find the right person. Mr Craig Paterson, group managing director, says the group, which has also been appointed to find a chief executive for the Scottish Rugby Union, has pioneered a new market in sports management recruitment.

"We perceived that the market was going through a substantial revolution that was going to make the management of soccer clubs more complex. Fifteen to 20 years ago, revenue channels were mostly related to gate receipts and match pro-

grammes. Today the clubs have to deal with a series of different channels covering such areas as TV, catering and merchandising," he says.

Mr Paterson, who has concentrated on soccer clubs, believes there is potential to sell recruitment services to other sports.

This week NBS, the selection and search arm of the Norman Broadbent group, announced that it was setting up a practice dedicated to sports recruitment.

Mr Jerry Gray, an executive director of NBS, says the time is right for such a development given the twin influences of a growing sports and leisure industry and the impact of the National Lottery. "There is a lot of money coming into sport because of media interest and lottery funding so organisations working in this sector are finding that they need to manage themselves in a much more professional way."

"We see this sector as being one that needs our help. Traditionally sporting personalities tended to drift into management when they finished their playing careers but the sports industry has reached a stage where it needs to draft in people with specialist financial and marketing skills."

Mr Don Parker, deputy technical director of the British Olympic Association, says the new lottery funding requirements expect the Olympic sports not only to have performance directors but cohesive strategies for future success.

"The appointment of the right person to drive the plan is vital," he says. Mr Parker believes candidates need to have a feel for the sport, which would favour former competitors, but the broader managerial skills needed to develop professional sport offer scope for skilled managers to enter sports administration.

Athletes and players who are seeking a future in sports management might also look at developing their business skills by taking an MBA or some other business qualification at the end of their careers.

BANKING FINANCE AND GENERAL APPOINTMENTS

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years experience within a blue-chip private client institution and who possess relevant professional qualifications. An in-depth knowledge and thorough understanding of both UK and International stocks is essential, as are high levels of numeracy and computer literacy. Superior organisational, communication (both written and oral), and team skills are mandatory. For the offshore team, a willingness to undertake some overseas travel is essential. Another European language would be advantageous but is not mandatory.

These positions offer an outstanding opportunity for those individuals who possess the individual flair and assertiveness to succeed within a dynamic professional environment.

Interested applicants should telephone Sarah Hesse-Horner on 0171 269 2314 or alternatively write to her enclosing a curriculum vitae at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649. Ref 324881.



Michael Page City

International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

Exciting Project Finance Opportunities

London

PowerGen is one of the largest UK power generators. It also has a substantial overseas business with independent power projects in Australia, Asia and Europe. PowerGen has a turnover of over £2.9 billion in year ending 1996.

PowerGen is actively expanding its overseas business and as a result needs to strengthen further its project finance team to assist with international project development and funding. This small highly focused team is involved in all aspects of financing overseas projects from the early stages through to completion. Specific responsibilities include project structuring and provision of advice on, and co-ordination of, the development, arrangement and negotiation of debt facilities on behalf of the company. PowerGen takes an active role in the structuring and financing of all the projects in which it participates and successful applicants will be expected to act as principals representing PowerGen in key negotiations.

Opportunities exist at Project Finance Manager and Assistant Manager level, reflecting the need for

& Competitive Package

Individuals with strong analytical ability, first-hand deal negotiation experience and computer modelling expertise. Excellent communication and presentation skills, combined with a confident and credible manner will be necessary to handle the many inter-relationships at senior level both internal and external to the organisation. Existing experience within a project finance, structured finance or corporate background would be particularly relevant.

Although London based, a significant proportion of time will be spent travelling to overseas locations, often at short notice. Successful candidates could expect to be offered opportunities for overseas postings after experience has been acquired in the London office. Candidates interested in working overseas are encouraged to apply.

Individuals who feel they have the skills and experience to rise to the challenge of these roles should contact Simon Lewis or Tim Smith on 0171 269 2316 or write to them enclosing a full CV at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax: 0171 405 9649. Please quote reference 351257.



PowerGen is committed to equal opportunities



Michael Page City

International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

Credit Analysts

Locations: City of London & Germany

With languages: German, Spanish, Portuguese, Italian.

One of Germany's largest universal banking groups is expanding its international operations in Germany and London. An excellent opportunity exists for junior and senior credit analysts to join an expanding team. Ideally candidates must have the following skills:

- Analysing UK, Nordic, Italian and Iberian Peninsula corporates and financial institutions.
- Ability to perform cash flow projections, industry and trend analysis.
- A minimum of 3 years' relevant credit experience, with an exposure to structured credit advantageous.

For positions located in Germany and the City of London, competitive packages, including performance related bonus will be available.

Please send your full CV together with details of your current package to our recruitment consultant, Karen Lewis at the address below.



Jonathan Wren Search & Selection Limited
34 London Wall, London EC2M 5RU
Telephone 0171 588 0828 Facsimile 0171 588 0829

SEARCH & SELECTION

European Private Equity

Investment Executives, London

& excellent plus carried interest

Our client is a leading private equity group in London with some £200m under management, and a top quartile fund performance. It provides equity capital for management buyouts, buyins, refinancings and expansion investment in the UK and Western Europe. The existing team wishes to continue its highly successful development through the appointment of two further investment executives. Suitable candidates are likely to be:

- aged 25-32
- graduate Chartered Accountants or MBAs
- ideally with experience of the structuring and execution of private equity transactions gained in a venture capital firm, merchant bank, accountancy firm or a strategic management consultancy
- strong financial analysis, computer modelling and transaction execution skills
- European languages would be a distinct advantage
- mature, gregarious, confident personality.

Please write or send a fax in confidence, quoting reference EVC/TC, to:

The Bloomsbury Group, 1 Southampton Street, London WC2R 0LR. Tel +44 171 379 1100 Fax +44 171 240 6362.

THE BLOOMSBURY GROUP

Executive Search

EMERGING MARKETS



SEARCH & SELECTION

Our client is a leading Investment Bank in Russia, active across the entire spectrum of Russian financial products. It is a dynamic and entrepreneurial organisation, reflecting the spirit of progress which continues apace in one of the most exciting markets in the world today. With an impressive track record already established across the full range of investment banking products, the firm is currently looking to make a key appointment as follows:

Chief Executive Officer - Asset Management Group - Moscow

With well over US\$1/2 billion of funds already under management, they are currently looking to hire the individual who will drive this part of their business to achieve the status of number one asset management group in Russia. This person will develop and implement a product and marketing strategy, co-ordinate the operation of the business, undertake new business initiatives and participate in the formation of investment strategy. They will also be expected to recruit and manage a team of individuals to be responsible for the component parts of the business. This senior role offers tremendous scope and responsibility and as such, the applicant will possess the following professional qualities:

- A strong appreciation and understanding of the fund management industry, ideally gained from within although this may not be your current focus
- A proven ability to build a business in an unstructured environment
- An entrepreneurial and pioneering spirit with the vision and determination to drive projects forward
- Experience of managing a team of diverse professionals
- Strong marketing and sales credentials, with experience in creating marketing strategies and teams
- Knowledge of the emerging markets, specifically Russia, although not essential would be an advantage

The level and structure of remuneration will be commensurate with the degree of responsibility associated with this position and reflects the importance of this business within the firm overall. Equity participation in the asset management firm will be available for suitably qualified candidates.

Please send your CV in complete confidence to Adrian de Vere Green at Emerging Markets Search and Selection, 12-14 Masons Avenue, London EC2V 5BT, U.K. Telephone: 44 171 600 4744 Fax: 44 171 600 4717 e-mail: adrian@emss.co.uk



EMERGING MARKETS



SEARCH & SELECTION

FIXED INCOME - MOSCOW

Our client is a leading Investment Bank in Russia, active across the entire spectrum of Russian financial products. It is a dynamic and entrepreneurial organisation, reflecting the spirit of progress which continues apace in one of the most exciting markets in the world today. With an impressive track record already established, the firm is looking to add a number of key individuals to its Fixed Income division as follows:

Head of Market Making - Russian Fixed Income

A fixed income professional to make markets in Russian local product in order to facilitate customer business. The successful candidate will run a team of 4-5 traders. The ideal candidate will have a minimum of four years trading experience, preferably with some of this gained in the Russian local markets, although this is not essential. Strong candidates with relevant foreign exchange experience will also be considered.

Structured Products - Structurer/Marketer

A structured products professional to create innovative solutions based on the Russian markets to suit clients needs. The successful candidate should be able to look at equity as well as debt structures as the opportunity presents itself. They will communicate ideas both externally to clients and internally to the sales force. The ideal candidate will have 3-5 years experience, preferably with a derivative structuring background and possibly having been involved with options and/or credit derivatives. Experience of working with an internal salesforce would be an advantage.

Economist/Strategist

An economist/strategist to support the proprietary trading book, covering debt and equity across all Eastern European markets. The successful candidate will have strategic input, interacting closely with the overall head of Fixed Income who is also a partner in the firm. As the unit builds a profit record, there could also be a marketing element to the role, with the aim of attracting more capital, both internal and external. The ideal candidate will be an economist with experience, past or present, in the macroeconomic analysis of the Emerging Markets of Eastern Europe. They will preferably have worked in a market environment having strategic input into trading decisions.

This is an opportunity for highly motivated, energetic and entrepreneurial professionals to work in a challenging and dynamic environment in one of the most exciting emerging markets in the world today.

Please forward your CV in strictest confidence to David Williams or Gwen Daleck at Emerging Markets Search and Selection, 12-14 Masons Avenue, London EC2V 5BT. Tel: 44 171 600 4744, Fax: 44 171 600 4717, e-mail: gwen@emss.co.uk

BUSINESS DEVELOPMENT MANAGER

Corporate finance - Middle East

The Industrial Bank of Japan, Limited is one of the world's leading financial institutions with a successful and expanding London Branch based in prestigious City offices.

Through our Origination and Structured Finance Department we are the pre-eminent Japanese bank providing corporate finance in the Middle East and Gulf States.

Continued growth in this area has created an exceptional opportunity for a new Manager to take responsibility for Business Development.

This appointment will also cover the Nordic Countries, Southern Europe and South Africa, but the main thrust will be in the Middle East where you will provide a relationship management service, liaising between clients and the appropriate IBJ specialist financial departments.

We have a Representative Office in Bahrain, but you will operate out of London, working as the main focus of a small, professional team which will provide all necessary support and back-up for your frequent, brief visits to the area.

As a leading and pivotal member of the team you will be dealing with major industrial and commercial organisations plus other banks, providing both solus and joint venture corporate finance for large projects which will include petrochemical and infrastructure developments.



An intelligent and highly motivated self starter of graduate calibre, you must, above all, be a skilled and experienced banker who can make a basic diagnosis of each project carrying out a thorough credit risk evaluation.

You must also demonstrate a detailed knowledge of the Middle East based on sound, practical experience, together with fine honed communication and negotiating skills.

As an ambassador of IBJ you will be expected to maintain our good name and respected reputation through the development, evaluation and fulfilment of world class corporate finance opportunities.

If you are that rare individual we are seeking, you will need no further convincing of the outstanding potential which this position offers.

We are prepared to negotiate a substantial remuneration and benefits package to attract those who can demonstrate quite exceptional abilities and an impressive track record of success in this demanding area.

Please write enclosing your full CV to: A. L. Mendleson, Head of Personnel, The Industrial Bank of Japan, Limited, Bracken House, One Friday Street, London EC4M 9JA

Equity Research

Developing high-quality chemicals research with a pan-European focus

At J.P. Morgan, a leading global investment bank, the continued growth of our European Equities business is creating further career opportunities in research. Based in London, our equity research effort focuses on selected pan-European sectors.

In order to facilitate our continued expansion in the chemicals sector, we are looking to recruit an equity analyst with a corporate finance/equity research background. Some experience of the chemicals industry would be preferable, although this is not absolutely essential. In liaison with US counterparts, the objective of our research team is to analyse sector trends and company strategies, forecast the results of European chemical companies and chemical/pharmaceutical conglomerates, and ultimately make investment recommendations.

You will initially provide a support function, including financial modelling and written work in response to internal and external client needs. The ability to

provide effective marketing support will also be key. However, it is envisaged that the role will grow, allowing you to make a pro-active contribution and take on significant decision-making responsibilities in the future. Regular interaction with fund managers and companies, and frequent travel to Europe can be anticipated.

You will need at least a 2:1 degree in a business, economics or accounting discipline, preferably supported by an MBA. Fluency in at least one other language, preferably French or German, would be an advantage. You will have a high level of self-motivation, excellent verbal and written communication skills, strong financial modelling expertise and the ability to work effectively as part of a team.

To apply, please send a full CV to: Nicole Slim at J.P. Morgan, Recruitment Centre, PO Box 161, 60 Victoria Embankment, London EC4Y 0JP. Closing date for applications: 28th May 1997.

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JPMorgan



European Bank
for Reconstruction and Development

The European Bank has a unique challenge to assist the countries of central and eastern Europe and the former USSR in their transition to market economies. The European Bank supports projects through lending, taking equity positions and providing technical assistance.

The Banking Department focuses on the development of the private sector, restructuring and privatisation of the state assets, creation and strengthening of financial institutions, development and improvement of the environment, including action to improve nuclear safety.

Along with a competitive compensation and relocation package, we offer action and achievement in a truly historical enterprise.

Senior Banker Telecommunications

The EBRD Telecommunications Banking Team is looking for a new Senior Banker. This is a key role reporting to the head of the Team.

The Senior Banker will be responsible for making a significant contribution to the development and management of the Team's project portfolio. This will be accomplished through the marketing, project screening, due diligence, structuring, negotiation, implementation, and monitoring of projects.

The position is London-based requiring considerable travel to the Bank's countries of operations.

The successful candidate will have: ☐ At least 10-12 years work experience in a major merchant/investment commercial bank or insurance corporation involved in telecommunications related activities as its principal activity. Experience in emerging markets, including central and eastern Europe is preferred; ☐ High level banking/transaction skills and demonstrable expertise in structuring transactions, including a proven track record as a deal maker in the telecommunications sector.

Strong marketing and representation skills based on a network of senior contacts within industry, excellent communication and interpersonal skills and a sound understanding of the underlying business principles; ☐ Very good written and oral communication skills in Russian or other central and eastern European languages is advantageous; ☐ A degree from a leading university with a first class honours degree in economics, finance or a related field.

Applicants should send a detailed CV in English, quoting reference numbers, to: Karen Barber, European Bank for Reconstruction and Development, One Bankers Square, London EC2A 2EH.

Applications will be treated in the strictest confidence and will not be returned.



European Investment Bank
A career in the heart of Europe

The EIB, the financial institution of the European Union, created under the auspices of the Treaty of Rome to facilitate long-term investment financing and to promote the balanced development of the European Union, is currently seeking for its Directorate for Lending Operations in the European Union at its headquarters in Luxembourg (m/f).

Lending/Credit Specialists

Qualifications: ☐ good university degree in finance/economics. Several years' professional experience, acquired in a CREDIT DEPARTMENT OF A BANK, FINANCIAL INSTITUTION OR RATING AGENCY, in examining and carrying through credit operations (preferably long and medium term lending), in particular: risk assessment, analysis and assessment of company performance and competitiveness, financial position, prospects and investment decisions; negotiation and definition of loan conditions and security structure; ☐ experience in assessing the credit worthiness of Banks and financial institutions, with good knowledge of the banking industry and its specific risks; ☐ knowledge of quantitative tools and ability to make qualitative judgements on credit risk and guarantee; ☐ experience and aptitude in direct contact with clients and negotiation of contracts; ☐ ability to draft clear and concise financial reports and recommendations; ☐ proficiency in computer applications.

Languages: excellent knowledge of English or French and a good command of the other is essential. Knowledge of other Community languages would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. Applications from women would be particularly welcome.

Applicants, who must be nationals of a Member Country of the European Union, are invited to send a detailed curriculum vitae, either in English or French, together with a letter and photograph, quoting the reference, to:

EUROPEAN INVESTMENT BANK, RECRUITMENT DIVISION,
Ref. PMA 9701, L-2950 LUXEMBOURG. Fax: + 352 4379 2545
(http://www.eib.org)

Applications will be treated in the strictest confidence and will not be returned.

هكذا من النجول



To apply please send your CV and covering letter stating current salary package to:
Valerie McKenzie, Head of Recruitment, Cazenove & Co.,
12 Tokenhouse Yard, London EC2R 7AH

Opportunities in Corporate Finance

The Firm

Acting for more than 340 UK companies and over 100 overseas companies Cazenove & Co is London's leading corporate broker.

The firm distributes securities to more than 1600 investment institutions, supported by research carried out by over 100 analysts. Cazenove Fund Management manages funds, valued at £8.6 billion, on behalf of its clients world-wide. Cazenove's main office is in the City of London but, over the last 30 years, offices have been opened in eleven other financial centres and the firm now employs 1000 people world-wide. The cornerstones of Cazenove's business is its relationships with corporate and investment clients, which are founded on independent and impartial advice.

The Role

We now have a number of opportunities for corporate finance professionals to further their careers in a high profile environment, advising clients on a wide range of corporate finance transactions.

The Candidate

You should have a minimum of two years corporate finance experience, with a thorough working knowledge of yellow and blue book requirements. This experience may have been gained in a similar City institution or possibly one of the larger accountancy or legal firms.

You will have graduated with a minimum 2.1 degree from a leading university and it is most likely that you will have added an MBA or ACA qualification to your career history.

As well as a proven transaction track record, you will need to demonstrate your considerable personal skills - drive, commercial judgement, senior level credibility and also the key presentation, analytical and numerical skills required in this demanding environment.

Cazenove offers an attractive remuneration package which includes a quarterly bonus and a wide range of employee benefits.



Outstanding Opportunities in Equity Derivatives Operations

Chase is a leading US Bank with a global network spanning 52 countries and holds an enviable position in the Investment Banking arena. Our commitment to innovation and progression has resulted in increased trading volumes, improved technology and product diversification. In order to support this growth, the need has arisen to hire two Operations Managers in Cash Equities and Equity Derivatives plus a Project Manager for technology implementations and enhancements. Their mandate will be to provide support in London, New York, Hong Kong and Tokyo.

Key responsibilities of the roles will be:

Cash Equities Manager

- Ensuring all aspects of cash equity settlements are managed efficiently.
- Managing the processing of corporate actions and dividends and the calculation of margin requirements for stock borrowing and lending.
- Working with traders with same day resolution of problems.
- Developing and implementing new settlement systems to ensure business growth can be supported.

Equity Derivatives Manager

- Managing the settlement of OTC options, exotics, swaps and structured deals and co-ordinating cash equity positions and hedges.
- Effectively lead a team during a period of expansion and work closely with traders and marketers to support trading activities and provide first class customer service.
- Ensuring the accurate calculation and timely payments for resets on equity swaps and option expiry amounts (including exotics).
- Providing user input to technology development to support the business and facilitate robust internal control.

Project Manager

- Implementing high quality technology solutions for analysis, accounting and operational projects for equity swaps and options, convertibles, equities, interest rate swaps and futures and options.
- Ensuring all current systems implementations have up-to-date user specifications and a technology implementation plan with realistic target dates.
- Proactively develop the technology strategy to ensure business is supported effectively.
- Prioritising future enhancements to existing system.

Candidates will demonstrate excellent product knowledge supported by a demonstrable record of achievement in both team management and systems to ensure maximum efficiency in the business. For all positions, excellent interpersonal skills should be linked with the ability to effect and manage change. Potential project managers will fully understand derivatives systems from both a user and development perspective and have excellent analytical skills. These challenging and exciting positions represent an excellent opportunity to join an organisation which will provide ambitious candidates with a real career challenge.

Interested candidates should contact Anne Tinsley at Michael Page City on 0171 269 2305. Alternatively, write to her, enclosing a CV with full salary details at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN. Fax 0171 405 9649. Please quote reference 351046.



Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

SENIOR SHIPPING ANALYST

for

H. Clarkson & Company Limited

An outstanding opportunity has been created for this senior position with one of the world's largest shipbroking groups. The successful candidate will work within an existing and successful research and publications division and alongside the senior management of the shipbroking company.

Candidates who could already hold important positions in similar businesses are invited to contact:

Martin Fairley
Company Secretary
H. Clarkson & Company Limited
12 Camomile Street
LONDON EC3A 7BP

Tel: 0171 283 8955
Fax: 0171 626 2967

MASTERCARD INTERNATIONAL INC.

Tour Maine Montparnasse-33, avenue du Maine,
75015 Paris is currently seeking a:

DIRECTOR ACCEPTANCE

based in Paris

Function: Support Middle East/Africa region in the implementation of brand acceptance in terms of terminalisation, decentralisation, marketing and merchant location. Accountabilities: manage country planning process, establish/monitor key performance indicators, implement merchant compliance programs to improve and support acceptance performance in the region.

Candidate: Quality-driven approach, minimum of 5 years related experience, MBA or equivalent preferred. Good management, planning, communication skills. English mother-tongue or perfectly fluent. Willing to travel extensively.

Please write to the above address.

SEAFOOD PLANT MANAGER

International Trade & Marketing company is seeking a plant manager for a seafood processing plant in Gambia, West Africa. Applicant should have food processing experience and exposure to a wide range of further processing and packaging technologies. Knowledge and experience with HACCP program. College degree is preferred along with an ability to improve yields, productivity, quality and cost controls. Applicant should be very hands on and possess good people management skills. Must be willing to relocate to the Gambia plant.

Qualified Applicants should send resume to the attention of:

Ms. Vickie A. Hann
Fax: 301-458-8912 or 301-677-2510
Email: 76143.1124@compuserve.com
Mail: ITA, Inc., 9470 Annapolis Rd., Suite 208
Lanham, MD 20706 U.S.A.

A CAREER IN SALES

A major investment bank requires a maths/economic graduate, 21-25 years, with a desire to become a sales person in global financial products.

The candidate should be highly energetic and widely ambitious.

Enquiries to: Claire Woodward
3rd Floor (desk #BR006)
135 Bishopsgate
London EC2M 3UR
Ref: GRA

NEW DEALING OPPORTUNITIES Asian and emerging markets

London

Substantial packages

Top five research and agency broking house... specialising in Far East and emerging markets securities. Backed by resources of substantial multinational bank. Blue chip institutional client base. Network of offices across region. Expanding aggressively into additional sectors, leading to new career opportunities in dealing team.

CB/BASKET TRADER

Substantial, regular experience of basket trades... in at least two major stock markets; Asian experience helpful but not essential. Highly numerate, with good understanding of analytical techniques. IT literacy as important as unusual degree of self reliance and autonomy.

SALES TRADER

Significant trading background focused on equity products... complemented by proven sales ability. Well used to applying high quality research. Numerate, with well developed computer skills. Used to high degree of independence; commercially astute and highly analytical.

ASSISTANT DEALER

Ideal role for young graduate... seeking to learn the business by supporting sales trader, basket trader and market maker. Energetic and computer literate, with significant drive and ambition to move into sales or corporate finance.

Please apply
by sending your CV
quoting reference R97159
and stating current salary



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London SW1N 3AA
Fax: 0171 222 8838

EURO LONDON APPOINTMENTS

BANKING WITH LANGUAGES

ANALYST - SCANDINAVIAN MARKETS

One of the City's most renowned and pre-eminent financial institutions seeks an analyst, fluent in Swedish, Norwegian or Finnish, to join its Scandinavian corporate finance group. You'll have a minimum of one to two years international banking experience, be a confident self-starter possessing excellent execution and transaction skills and be able to contribute fully from day one. Although not essential, experience gained within financial institutions, paper and packaging, chemicals and pharmaceuticals would be advantageous. This is an outstanding opportunity to advance your career with a highly talented team.

Tel: 0171 583 0180 Fax: 0171 583 7800
1 HARE PLACE, 17 FLEET STREET, EC4Y 1BJ
e-mail: elafleet@btinternet.com

COMPLIANCE AND CONTROL PROFESSIONAL

UNITED KINGDOM/CHANNEL ISLANDS

Please send your full CV to
Joanne Noble,
Human Resources Officer,
The Citibank Private Bank,
41 Berkeley Square,
London W1X 6NA or by
fax to 0171 629 1927.

Citibank is one of the world's largest financial services organisations. We are the only truly global bank, with private and corporate banking operations in 98 countries. The bank has a strong capital base and an unrivalled international network.

This high profile position within the Citibank Private Bank is critical to the future success of our business in the UK and Channel Islands. You will be responsible for implementing the Compliance and Control agenda and acting as the focal point for two of the largest investment centres in Europe. The incumbent will also form part of a team of professionals who manage this function across Europe, Middle East and Africa.

You will help to create and implement risk and control processes, help orchestrate C&C reviews and facilitate corrective action and trial management awareness processes. Additionally, you will help put in place a broad self-testing process, organise C&C related training, prepare and/or facilitate legal and regulatory matrices and assist the Investment Centre Head in relationships with all regulators. You will also review and approve new product programmes launched from the UK and look after a variety of other C&C related activities.

A graduate or qualified accountant or lawyer, you should have excellent C&C and/or audit experience gained in a large, sophisticated international business and a good knowledge of banking, securities and financial services. You must be a strong team player, analytical, disciplined and able to communicate with and influence others. A second European language would be preferred.

An excellent package reflects the importance of this role to the Citibank Private Bank.

CITIBANK
We are an equal opportunities employer

Assistant Manager – Investor Relations



Mannesmann is a global company with sales of about DM 35 billion and 120,000 employees in more than 190 countries. The Mannesmann Group, headquartered in Düsseldorf, is active in Engineering, Automotive, Telecommunications and Tubes & Trading. The shares of our Group are spread worldwide and we aim to ensure open and comprehensive communications about our Company with capital markets around the world.

Your tasks will include regular contact with international portfolio managers and financial analysts. In addition, you will be preparing, organizing and giving company presentations to institutional investors at the world's leading financial centers. You will work closely with Corporate Accounting and Finance and have direct contact with the Chief Financial Officer.

You should have obtained a very good university degree in business, preferably with majors in Finance and/or Accounting. Some professional experience in the international financial world would be of advantage.

You should be fluent in English and German; good command of another language is desirable.

If you enjoy contacts with people, are highly motivated, and consider the perspectives offered by a global Group as a challenge for your future career, please send your complete application to:

Mannesmann Aktiengesellschaft
Direktionsabteilung – VDE
c/o Frau Stadler
Mannesmannufer 2
40213 Düsseldorf/Germany

We look forward to hearing from you.

Mannesmann

Communicate vb. to exchange
(thoughts) or make known (information or feelings) by
speech, writing or other means.

Investment Communications Executive

German Markets

As the world's largest independent investment management organisation with managed funds in excess of \$520 billion, Fidelity appreciates the value of timely, accurate market information.

Our Investment Communications team is responsible for the effective flow of information between investment specialists and their customers and is currently looking for an experienced analyst or investment journalist to join us as an Investment Communications Executive, primarily to support the German marketing team. Working closely with fund managers, you will provide up to date market and sales information, ensuring that all relevant parties are kept fully briefed on the economic and stock market environments.

This is highly specialised role demanding a degree or equivalent in an economist or business related discipline together with fluent German and

English. A team player with first class interpersonal skills and outstanding writing abilities in both languages which should be supported by experience of the equity and bond markets. Exposure to a broking or asset management environment, ideally including knowledge of Micropal, Datastream or Bloomberg, would be particularly advantageous.

The unusual combination of attributes we seek will be reflected in the attractive remuneration package and career development opportunities on offer. This role, although based in the UK will involve some overseas travel.

If you have these skills and more, please write enclosing a full CV and indicating salary details, to Chris Woodman, Fidelity Investments, Oakhill House, 130 Tonbridge Road, Hildenborough, Kent, TN11 9DZ. Fax: 01732 832792.

Fidelity Investments

HR
HAMILTON RENATA

EQUITY DERIVATIVES SALES

GLOBAL INVESTMENT BANK

Excellent Package

City

The Company

Our client is a leading global investment bank with headquarters in London and an office network in over twenty countries.

The Position

A junior equity derivatives salesperson is required to join a growing team marketing warrants, convertibles, OTC and structured products into a global hedge fund client base.

Qualifications

Candidates will have a strong academic background with a maths or engineering based degree.
One to two years experience marketing equity derivative products into a UK/European/Global client base.
A thorough knowledge of the products is essential, and pricing and modelling ability is preferred. Experience in marketing to hedge funds would be beneficial, ideally with an established client base.

Interested candidates should telephone or write to Mark Jones or Jonathan Duskfield at: Hamilton Renata, Suite 414, Coppergate House, 16 Brune Street, London E1 7NJ. Telephone 0171 721 7890 Fax: 0171 721 7952

Marketing/Client Services Associate

Global Funds Group

Frank Russell Company is one of the world's largest and most influential investment consultants. The London Investment Management Group of Frank Russell offers eleven multi-manager funds and has accumulated US\$1 billion of assets under management since its launch in 1994. Our clients range from local authority pension funds to large corporate institutions.

The Position

The successful candidate will join the Russell Investment Management Group as a Marketing/Client Services Associate. Key tasks include client servicing responsibility for institutional clients, participating in manager reviews, monitoring client investments, responding to client-initiated requests, assisting in the development of overall marketing strategies/materials, participating in the development of new products, and representing the Company at client conferences.

Requirements

We seek a highly motivated professional and flexible team player with a knowledge of the UK institutional investment management industry, and familiarity with UK SIC and UCITS regulations. You will have:

- proven analytical and client service skills
- excellent communication skills, both written and verbal
- strong educational background, preferably at graduate level, with specialisation in Finance/Economics/Investment/Business
- three to five years of financial services industry experience
- excellent computer skills (Word, Excel, PowerPoint)

In complete confidence, please send your CV to: Frank Russell, 6 Cornhill, London EC3A 3BF. Tel: 020 7493 1234. Fax: 020 7493 1235.

Russell

FRENCH VENTURE CAPITALIST

13 years investment experience.
42, MS & Wharton MBA.
6 years spent in Anglo-Saxon environments, just returned to Paris.
Offers assistance in setting up/developing/restructuring VC operations on the continent.
Paris based, can relocate.
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FINANCIAL ANALYST LAWYER

Substantial E.U./CIS experience and business relations, LSE/Sorbonne Grad. In legal, highly entrepreneurial, extensive financial publication record, seeks cap market/IB position.
Tel: (44) 181 742 0071 or 106180.1453@compuserve.com

Courtier IRS

Excellente rémunération + bonus

Notre client est un courtier londonien, leader sur les marchés de SWAPS (IRS) et d'OPTIONS de taux d'intérêt.

Le développement de l'activité et la part de marché croissante de cette société offrent l'opportunité unique, à un courtier spécialiste des marchés de swaps de taux, de rejoindre une équipe dynamique qui a établi sa réputation sur le marché du Franc Français.

Le candidat, diplômé, de langue française et possédant une bonne maîtrise de l'anglais, aura acquis une expérience de 2-3 ans sur le marché des IRS FRF en France. La volonté de travailler au sein d'une équipe internationale ainsi qu'une connaissance détaillée du marché des swaps en Franc Français et de ses participants (autant domestiques qu'internationaux) sont essentiels. Des contacts dans les banques françaises représentent un atout majeur.

For a confidential discussion please contact David Reynolds.

Telephone: 0171 236 2400, Fax: 0171 236 0316 or apply in writing to:

Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

SHEFFIELD-HAWORTH
Consultants in Search and Selection

Cash Auction Privatization Specialists:

Ulaanbaatar, Mongolia

Development Alternatives, Inc. (DAI) is a leading international development consulting firm. We are seeking individuals to work in Mongolia for 3 month period during Summer 1997 to help the State Property Agency implement the first round of a sealed bid cash auction program in which 15-20 SOEs will be privatized. Tasks undertaken will include the dissemination of information regarding the enterprises, the preparation of the auction, the receipt of bids and their opening, and oversight of the sales transaction. Individuals must be available to spend 3 months in Mongolia in the timeframe June-Sept. and have extensive experience in organizing and managing cash auctions in transitional economies.

To apply, send curriculum vitae to:
LeAnn Hager
Development Alternatives, Inc.
7250 Woodmont Avenue, Suite 200
Bethesda, MD 20814 USA
Fax: 301-718-7968
email: leann_hager@daicon.com

DAI

SEAFOOD MARKETING DIRECTOR

International Trade & Marketing company is seeking a proven professional to market fresh and frozen seafood products from a seafood processing plant in Gambia, West Africa. Candidate should possess expertise and knowledge of the seafood industry - production, processing, specifications, pricing. Must be willing to travel periodically to West Africa.

Qualified Applicants should send resume to the attention of:
Ms. Vickie A. Hann
Fax: 301-459-6912 or 301-677-2610
Email: 75143.1124@compuserve.com
Mail: ITA, Inc., 9470 Annapolis Rd., Suite 208
Lanham, MD 20706 U.S.A.

SENIOR INTERNATIONAL ECONOMIST

The Bank of England would like to hear from experienced international macroeconomists interested in adding to our research capability and policy making. The post involves contributing to the Bank's international macroeconomic research and assessment of the G7 and other EU economies, including EMU-related work.

Applicants should have at least a post-graduate degree in economics and preferably a PhD in international macroeconomics (or closely related subject), plus relevant work experience, in a research or policy-making environment.

The post requires a combination of first class research skills, and an ability and willingness to apply these to policy-related issues, and current macroeconomic assessment. Excellent communications skills and the ability to work well in a team environment are also needed. Selection interviews will be held in London.

As well as the specific job described above, there are likely to be other vacancies in the near future for economists who can apply their professional skills to the wide range of research and policy issues confronting central banks. We will be running a PhD selection centre from 9-13 June 1997. If you would like to be considered either for the specific job described above or the PhD Centre, please apply in writing to Mr Tim Kidd, MS Staff Development Unit (BB-3), Bank of England, Threadneedle Street, London EC2R 8AH.

The Bank of England is an Equal Opportunities employer.

Our bank is part of a large industrial group and operates in an international context. We are currently looking to fill a:

Back-office position

M/F Paris

You will participate in the whole range of control and validation operations, in carrying out payments and following up of transaction maturities in French Francs and other currencies in the market.

You will be in contact with the group's subsidiaries and with banks. Thanks to your in-depth knowledge of financial products and their treatment, you will be able to respond efficiently to the demands placed upon you.

You are a graduate in banking and finance with a 2/3 years professional experience which has brought you a solid knowledge of international financial products (Options, Swaps, FRA, Forex...).

You are independent, thorough and computer literate.

Preferably a native English speaker, you master equally French and English (written and spoken).

You are flexible and prepared to put in the hours to complete the job.

Please send your application to EURO RSCG Futurs - 2 rue Marengo 75001 Paris - France (Please mark the envelope: "Reference 111750").

مركز الأعمال

GENERAL MANAGER - BANK*Based in the United Arab Emirates, with an attractive negotiable package*

A well-established bank in the United Arab Emirates with domestic and international interests and retail banking are seeking to appoint a General Manager. The ideal candidate should be a customer-oriented individual with several years of lending and risk evaluation experience in a multinational bank, will be responsible for the planning, co-ordination and monitoring of the operation of every department in the bank and will be instrumental in producing and implementing marketing strategies within the region.

The individual must have an inherent ability to adapt to the challenges of a fast-paced economy, provide leadership, be creative and possess the necessary commercial acumen to develop and nurture long-lasting business relationships. Innovation in decision making and envisioning growth will form an integral part of his job description.

A sound knowledge of English is essential for this position and working knowledge of Arabic and familiarity with Islamic banking would be a distinct advantage. Previous experience in Gulf markets would be considered an asset.

The package includes annual airfare home for the family, medical, furnished accommodation, company maintained car, etc.
All applications will be treated in strict confidence.

Apply at the earliest to

**Box A5449, Financial Times,
One Southwark Bridge, London SE1 9HL**

ATTRACTIVE PACKAGE**ST PETERSBURG****CHIEF FINANCIAL OFFICER**

OUTSTANDING OPPORTUNITY FOR AMBITIOUS PROFESSIONAL OFFERING EXCELLENT CAREER PROSPECTS IN A WORLDWIDE GROUP

Millicom International Cellular S.A. (MIC) is a leading operator of cellular telephone services worldwide. Through joint ventures MIC currently holds 30 licenses to operate cellular networks in 21 countries with a combined population of 415 million people. In addition, MIC is pursuing new licenses in a number of countries. The majority of MIC's operations are in emerging markets. The company is experiencing very significant growth, with its subscriber base currently growing at 100% per annum. MIC is publicly listed, with its shares traded on the NASDAQ National Market in the United States and The Luxembourg Stock Exchange, and has a market capitalisation of approximately USD \$2,500,000,000.

THE POSITION

- As the joint venture's number 2 executive, assist the General Manager in day-to-day management.
- Supervise all accounting, financial control and financial reporting to headquarters.
- Manage both long and short term treasury activities.
- Responsible for billing and collecting.
- Liaise with local partner, external professional services and governmental entities.

THE QUALIFICATIONS

- Experience in a similar role in a fast-moving commercial environment.
- Experience in Russia or Eastern Europe is a distinct advantage.
- Age 30-45. Proven track record in leading teams.
- Excellent communication and negotiation skills. Dynamic, entrepreneurial personality with a good sense of diplomacy.

Please send full CV in strict confidence to:

Human Resources Director
Millicom International Cellular S.A. - 75, Route de Longwy - L-8080 Bertrange - LUXEMBOURG

Senior Lead Adviser**Automotive Group**

A Career Making Opportunity For A Creative Dealmaker

Birmingham - Package to attract the best including relocation

Ernst & Young is an influential and innovative player in the international Corporate Finance market. As part of its global strategy it has established a dynamic Automotive Group to service an increasingly sophisticated international market. This offers unrivalled potential for an ambitious dealmaker with an interest in the automotive sector to play a key part in the growth of the business.

This is a newly created, high profile role and will involve:

- Working closely with the national head of the Automotive group to shape and drive forward an aggressive marketing strategy and to develop, lead and inspire a team of the highest calibre.
- Influencing the speed and impact of the significant changes affecting the UK automotive sector by initiating and managing a range of stimulating M&A assignments.

This is a creative, challenging and demanding position. It requires a dynamic, energetic professional with extensive experience of deal initiation, planning and execution together with proven business development and excellent client management skills.

Interested candidates should contact our advising consultant Stephen Stringer at Harrison Willis, Grosvenor House, Bennetts Hill, Birmingham B2 5RS, United Kingdom. Tel: 0121 633 0010. Fax: 0121 633 0862. Email: hws@hws.co.uk. http://www.hws.co.uk/hwsgroup

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Global Investment Bank

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City

THE COMPANY

- Prestigious, innovative banking group. Success story within investment banking.
- Headquartered in London with office network in over 20 countries.

THE POSITION

- Assist running of EMS business and development of investment grade currencies desk of a profitable and successful Foreign Exchange business.
- Maintain strong presence in EMS currencies. Assist development of expertise in tradeable investment grade currencies. Help manage overall FX trading business.

QUALIFICATIONS

- Minimum 10 years' market experience. Must have exposure to EMS and investment grade currencies. Previous experience of managing proactive SPOT FX desk desirable.
- Knowledge of wide variety of products and their effect on EMS and investment grade currencies. Proven P&L track record. Familiarity with derivatives products essential.
- Experience of working in multiple locations, both head office and regional offices preferred. Expertise in Italian instruments vital.
- Demonstrable leadership qualities. Foreign language ability vital.

Please send full CV, stating salary, ref F5705A2, to NBS, 10 Arthur Street, London EC4R 9AY
Fax 0171 623 1525 Tel 0171 623 1520

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NBS Selection - Financial Services



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London Based

Fluent German Speaker

Our client is a leading City based investment manager with a full range of institutional products and particular strength in the areas of bond and currency management. Excellent performance in Bonds and Equities, together with a focused campaign with the major consultants has resulted in a strong flow of new business and good prospects for future growth. This in turn has led to a requirement for an additional sales person to secure and manage client relationships in Switzerland, Austria, Germany and Scandinavia.

Reporting to the Marketing and Sales Director your role will be to represent the

Group's products and services to major European institutions, develop relationships and secure mandates.

The successful appointee will be a graduate, aged 28 - 35, fluent in German with a background in Equity and Bond Markets, gained in a sales, marketing or fund management capacity.

The remuneration package includes an attractive basic salary, bonus and range of benefits. To apply please send full C.V. including salary details, quoting reference 1286, to Fiona Law at FLA Limited, 211 Piccadilly, London W1V 9LD. Telephone: 0171 738 9732. Fax: 0171 895 1353.



SEARCH, SELECTION AND CONSULTANCY SERVICES

Ann Williams & Co
Search & Selection
Telephone 0171 536 7000. Fax 0171 536 7001

MARKET RISK MANAGERS

- with 2-5 years experience in Banking (Development/Trader Support) Must be educated to the PhD Level in one of the Physical Sciences.

If you would like to leverage your career - call or write - you will be treated with the utmost confidence.



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The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to target the French business world. For information on rates and further details please telephone: Toby Finden-Groves on +44 171 873 4027

FINANCIAL TRAINING

We are a London-based company providing top quality, innovative training for leading financial institutions globally. We are seeking a full-time trainer dedicated to delivering a consistently excellent service to our clients.

Candidates must be numerate, with a sound academic background and practical experience of either Capital Markets, Derivatives or Risk Management. First rate communications skills, oral and written, are essential. Candidates must be team players, with a high degree of flexibility, motivation and good interpersonal skills. They must also be able to travel frequently. Computer literacy is vital as the candidate will work with our new multi-market simulator and our risk management system.

CV's, including details of qualifications, experience and personal goals and objectives, should be sent to:

**Box A5450, Financial Times,
One Southwark Bridge,
London SE1 9HL**

ACCOUNTANCY APPOINTMENTS**FINANCIAL DIRECTOR****Market Leader**

Belonging to a major multinational organisation, this very substantial £multi-million Company provides a range of services to major organisations throughout the country. The recognised industry leader, it has a solid record of profit/growth, underpinned by a tightly controlled and fast moving multi-divisional network, with well defined performance standards, managed by a high calibre team. Reporting to the Managing Director, responsibilities will include:

- Management of all financial, administration and systems activities
- Evaluation of strategic and developmental initiatives
- Leadership and development of the financial management team
- Participation in the strategic direction of the business

Qualified accountants, with a strong academic background, candidates should have an outstanding record of finance, systems and administration management within a business of substantial proportions. Particular importance is attached to excellent interpersonal and managerial skills within a team oriented environment, and career development potential within an international framework.

Interested candidates should write with full CV, quoting current rewards package to Andrew Satterly, Hoggett Bowers, 85-89 Colmore Row, Birmingham B3 2BB. Tel: 0121 212 0088, Fax: 0121 236 9355, quoting ref: BAS/11131/FT.

Hoggett Bowers

EXECUTIVE SEARCH & SELECTION

**Finance Director**

Entrepreneurial accountant/MBA sought for new international venture

London/South East

Excellent Salary + Bonus + Car

Our client is a recently established division within a market leading, multi-billion pound services company with a global network of operations. This new and innovative business anticipates rapid growth through a series of joint venture partnerships and acquisitions. An experienced and enterprising business professional is now sought to establish and lead a commercially oriented finance function.

Reporting to the Executive Vice President of the division, the Finance Director will be based in Central London with regular travel to a regional operations centre. Key responsibilities will be as follows:

- drive business development, acquisition and strategic alliance activity, managing complex negotiations;
- establish and direct a robust finance infrastructure to support this rapidly growing business;
- contribute to the overall development of the business as a senior member of the management team.

Probably aged between thirty and forty-five, candidates will be qualified accountants or MBAs with a proven track record in finance, combining the ongoing management of a professional and service oriented finance department with broader business development activities. Personal attributes will include first class interpersonal skills, a highly commercial and self-motivated approach and a strong team orientation. A degree of mobility is required as regular overseas travel is anticipated.

This appointment represents an outstanding opportunity to shape the development of this exciting business, working with a dynamic group of individuals. The remuneration package will reflect the importance of the role and should not be a limiting factor.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 707J on both letter and envelope, and including details of current remuneration.



SEARCH & SELECTION

86 JERMYN STREET, LONDON SW1Y 6JD. TEL: 0171 468 3800
A GKRS Group Company

AMSTERDAM - THE NETHERLANDS SENIOR FINANCIAL PLANNING & ANALYSIS

The European Head Quarters of a US multinational is one of the major players in the logistic service industry, with operations in the United States, Canada, Mexico and throughout Europe.

As a result of strong expansion in the European operations, they have an immediate need for a high calibre Senior Financial Planner for the centralised European Finance department. Reporting directly to the European Manager Financial Planning & Analysis, this position offers a high degree of responsibility and exposure to executive management. International career development opportunities are excellent.

Your main responsibilities will be:

- analysis, consolidation of branch country and region budgets
- variance analysis of actual results versus plan and prior year results
- business performance analysis and recommendations
- information & decision support management
- management presentations to the board of directors
- maintaining good relationships with regional and operational management
- strategic and ad hoc business projects

The successful candidate will be a qualified ACA/CPA/MBA/RA/RC with at least 5 years experience gained working in a financial planning & control role for a (US) multinational and/or the Big Six.

Strong presentation, analytical and communication skills in combination with leadership, drive for results and entrepreneurial thinking are essential for this high profile role. The candidate will be process driven and effective in managing projects for senior management. An excellent working knowledge in English is required and knowledge of French would be desirable. There will be up to 20% international travel.

If you are interested in this opportunity, please contact Elisabeth Huigen on (+3120) 6444 655, or alternatively send your curriculum vitae to the following address: Robert Walters Associates, 'Riversteete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands. Fax (+3120) 6429 005.

E-mail: elisabeth.huigen@robertwalters.com

ROBERT WALTERS ASSOCIATES



LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

GROUP CHIEF ACCOUNTANT ADVERTISING/MARKETING SERVICES INDUSTRY

CENTRAL LONDON

c£40,000 + BENEFITS (incl. car)

Here is an opportunity to join one of the world's largest marketing and advertising services companies. This organisation has experienced strong organic and acquired growth over recent years and is currently investigating various acquisition opportunities in Europe and the Far East.

The company is progressive, committed to excellence and places great value on its employees. In support of this aim, we now seek to recruit a Group Chief Accountant.

Reporting to the Deputy Group Finance Director, the successful candidate will take responsibility for a small team and perform a broad financial reporting role for the worldwide group excluding North and South America.

Specific responsibilities will include:

- providing a key point of reference for group companies

- reporting on planned, actual and reforecast profit and loss
- quarterly sub-consolidations
- development of financial systems
- integration of acquired businesses
- ad hoc projects
- international travel as required

The successful candidate will be a graduate qualified Accountant with at least three years post qualification experience, ideally gained in a head office or advertising/marketing services environment. Knowledge of US GAAP and other reporting requirements would be an advantage.

Your success to date is based on a combination of strong technical accounting,

systems and communication skills. You have the capacity to deal with a number of different projects at any one time and your high levels of energy, tenacity and enthusiasm mark you as a key team player.

This is an outstanding opportunity to advance your career in a role which will position you to gain a perspective on the international activities of an industry - leading and diverse organisation.

Interested applicants should send a CV and a covering letter confirming why you are suitable for this position to Janet Arnold ACA at Robert Walters Associates, 10 Bedford Street, London, WC2E 9BE. Telephone: 0171 379 3333, Fax: 0171 915 8714. E-mail: janet.arnold@robertwalters.com

ROBERT WALTERS ASSOCIATES



LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

Barbados

Finance Director

c £50,000 + Expat package

Our client is a successful entrepreneurial property company whose primary activities centre around a luxury leisure complex located in Barbados. The self-contained construction arm employing 500 people is currently engaged in a prestigious 500 acre development which will comprise a fully inclusive and serviced resort for up to 350 properties, each valued in excess of \$500,000. Amenities include a golf course, extensive leisure facilities and comprehensive security.

A dynamic Finance Director is now sought to promote strategic thinking and strong leadership within the 16 strong finance team. Reporting to and working closely with the Managing Director, both financial control and operational input will be expected. Key areas of involvement will comprise:

- Strategic direction and control to enhance bottom line performance.
- Treasury management and review of foreign exchange exposure.

- Systems enhancement and control review.
- Supervision and guidance of finance team.
- Development of management information and communication across functions.

The successful candidate will be a self-motivated, commercial and ambitious qualified accountant with strong communication skills. Significant staff management experience and exposure to a strong control based environment are required, house building or construction experience is highly desirable.

In return, a comprehensive remuneration package is available which will include accommodation, company car, bonus and all flights to the UK.

Interested candidates should write to Martin Dowson at Michael Page, Page House, 39-41 Parker Street, London WC2B 5LN enclosing a detailed curriculum vitae with salary package quoting reference 346725.



Michael Page International

International Recruitment Consultants
London Paris Amsterdam Düsseldorf Frankfurt Madrid Hong Kong Singapore Sydney Melbourne

Commercial facing superdrug Internal Audit Controller

Croydon

c £45,000 + FX Car + Benefits

A household name, with over 700 stores and a turnover of £700 million, Superdrug is one of the UK's leading health and beauty retail chains. Part of the Kingfisher Group PLC, a top 100 UK PLC, Superdrug is entering an exciting growth phase, with the planned redevelopment of current sites and proposed procurement of new sites.

This is a particularly commercial facing role, which will involve extensive liaison with senior management. Reporting directly to the Finance Director, primary duties will include:

- Key membership of the Superdrug audit committee which determines the strategic audit plan.
- Management of a team of four, which will increase in the medium term.
- Undertake audit projects, with the purpose of optimising the performance of the organisation via the review of current systems and procedures.

- Ensuring that the field audit team adds value by investigating and identifying areas of possible inefficiency and ineffectiveness.

The ideal candidate will be a qualified Chartered Accountant, probably a graduate, aged 30-45, with post qualification experience out of practice, ideally in retail or a multi-site organisation. A well motivated individual, the candidate should demonstrate strong interpersonal ability, good people management skills and a commercial approach. On offer is an excellent career opportunity within a highly successful group, combined with a highly competitive remuneration package.

If you feel you have the qualities to undertake this role, please send a comprehensive CV, quoting ref number 350355 to Alistair Robinson CIMA at Michael Page Finance, Cynet House, 45-47 High Street, Leamington Spa, CV32 3AG. Alternatively telephone 01372 375661, or fax 01372 370101.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leamington Spa
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Head of Finance

An outstanding opportunity to develop and direct finance and risk management in a leading global bank

City

to £100,000 Package

Our client is a leading international bank with an enviable reputation for providing a complete range of banking services to major corporates, sovereign and quasi-sovereign entities on a global basis. The bank is a market leader in a variety of specialised banking products including syndications, project finance, structured trade finance, aerospace finance and capital markets. It has an extensive global network including branches and representative offices throughout Europe. Due to the importance of its London business and the bank's commitment to continued development and growth, it now seeks to appoint a Head of Finance responsible for financial and regulatory reporting and risk management.

This is a new position created to bring together the accounting regulatory and risk areas for the first time, enabling more strategic control to be exercised over the business in London. The Head of Finance will be expected to lead and direct the new combined function evolving it into a department which analyses and gives advice to management, thereby playing a significant commercial and management role.

The position offers a real challenge to the right individual giving broad scope to use initiative and technical expertise. Candidates are likely to be graduate qualified accountants (ACA preferred) with a minimum of 10 years post qualification experience in a commercial or investment bank or securities house. The successful candidate will be a first class communicator with strong management and leadership skills as well as confidence, drive and determination.

He or she will also have extensive exposure to treasury accounting techniques and a good understanding of the interaction of the risk management process with the balance sheet. As this is a new role, proven start up/project skills are important as is an ability to facilitate change.

Interested candidates should send a full CV in strictest confidence to Sarah Hunt at Michael Page City, 39-41 Parker Street, London WC2B 5LN or fax her on 0171 405 9649.



Michael Page City

International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

FINANCIAL CONTROLLER

Hemel Hempstead Circa £34K + benefits

This challenging opportunity will appeal to a young, ambitious, energetic, newly qualified professional.

Maxon Europe distributes professional radio communication products manufactured by Maxon Electronics, our Korean parent company.

Leading a team of five in the UK, you will take charge of all financial aspects of the company including the production of consolidated management accounts, year and statutory accounts, forecasting and cash flows.

Reporting directly to the M.D., you would join the senior management team, influencing the commercial decisions for the U.K. and our subsidiaries in Paris and Madrid.

Interested applicants should apply by sending a CV and handwritten covering letter to: Penny Waterfall, Personnel Manager, Maxon Europe Ltd., Maxed Close, Hemel Hempstead, Herts. HP2 7EG. E-Mail: penny@maxon.co.uk

BALLIOL COLLEGE OXFORD

Bursarship

The College proposes to appoint a Bursar with broad responsibilities in the conduct of its financial, budgetary and domestic business. Appointment will begin on 1 January 1998.

Further particulars are available from the Master's Secretary, Balliol College, Oxford OX1 3B1. The closing date for applications is

24 June 1997.

The Colleges are Equal Opportunities Employers and Charities which exist to promote excellence in education research.



Les Echos

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هكذا من الأعمال

Berryman's Lacey Mawer

Financial Controller

City of London

Following the merger on 1st May 1997, Berryman's and Lacey Mawer have created a unique national insurance litigation and commercial firm with one of the largest Defendant Personal Injury insurance practices in the UK. Building on their existing reputation in litigation, the new firm will have over 80 partners and 250 fee earners. The firm has further expansion plans within the UK and has associated firms in Europe, the Gulf States and Far East.

This newly created role will co-ordinate the requirements of partners in the London, Southampton, Birmingham and Dubai offices. It is a high profile, commercially orientated appointment that will focus on the following areas within the firm's southern offices:

- Supervision of nine finance staff, control of financial performance and liaison with external professional advisers and other third parties.
- Improving fee earner understanding of finance related business issues including increased accountability and analysis of departmental performance.
- Maintenance and development of

Highly competitive salary + benefits

forecasting procedures and management information, project evaluation and "what if" analysis.

- Development of reporting procedures and controls including integrated IT solutions within the finance, billings and financial administration areas.

The formal and informal reporting requirements at partner level demand the ability to build rapport, establish credibility quickly and offer solutions not objections, coupled with the maturity to deal confidently but diplomatically at all levels within the firm. Priority will be given to candidates with a demonstrable record of success in adding value to the commercial decision making process.

It is therefore likely the successful candidate will offer the combination of strong academics, a formal finance qualification and be aged between 30-45. Practical experience may have been gained in the legal field, a major accountancy practice or in any quality focused service environment.

Interested applicants should apply to writing to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2 5LN.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide**Group Management Accountant**

Finance Director in the making...

Wiltshire

£ Above market rate + Benefits + Relocation

Formed in 1971, Allied Dunbar has been the fastest growing life company in the UK over the last twenty years and is now the largest unit linked life assurance group in the UK. A major subsidiary of BAT Industries, pre-tax profits in 1996 were £203 million with funds under management of over £18 billion.

The finance function is central to the commercial performance of the business and is committed to the development, retention and career progression of high calibre individuals.

As a member of the Management Accounting team, your brief will be to develop and provide strategies for the successful and effective management of the company. You will manage the expense base currently in excess of £250 million and, with support staff, play a key role in formulating the group financial forecast and operating plan. Financial input will be required on ad-hoc project work, for example, acquisitions.



You will be a graduate qualified accountant with a minimum of three years PQE and an achievement led profile. There will be considerable exposure to director level, therefore, you will need to demonstrate first class communication skills and a persuasive personality, coupled with an ability to influence and a positive 'can do' attitude.

A high degree of commercial acumen and an ability to think 'out of the box' providing imaginative solutions to problems is key. If you have the drive and determination to succeed, then in return Allied Dunbar will offer an excellent remuneration package together with the potential to progress to director level.

Interested candidates should apply to writing enclosing a CV, covering letter and daytime telephone number to Kathryn Roberts, Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL, quoting ref TLT0.

Allied Dunbar are committed to equal opportunities, and welcome applications from all sections of the community.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide**Financial/Business Controller**

West London

c £40,000 + Car

Last Tuesday, the BFA named Pirtek (UK) Plc winner of the Franchise of the Year 1997 Award. This is a fitting testament to the success and dynamic growth of a company fuelled by sound commercial and innovative business planning in a UK market approaching £500 million. An expanding national network is breaking through the industry's frontiers, principally to the supply of vital equipment to a diverse range of major businesses.

Unprecedented achievements to date and impressive future plans have created the need for a commercially aware Finance/Business Manager to fulfil a high profile role within the UK Head Office. Supporting the Managing Director, the main emphasis of this key role will be to provide commercial decision making, analysis and negotiation skills in support of the UK businesses. Overall control of finance

and information technology will also come under your jurisdiction, although an experienced team take day-to-day responsibility.

Applications are invited from qualified accountants, aged in their late 20s to mid 30s, who can demonstrate practical experience and the resulting business acumen from working at a senior level, possibly in an entrepreneurial environment. The ability to provide solutions and add value to a growing business combined with a 'hands-on' approach, a proactive personal style and first class communication skills are all pre-requisites.

Interested candidates should apply in writing, enclosing a current CV, to Justin Pearson at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN or fax on 0171 242 1020 quoting reference J350575.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide**Group Controller**

Wiltshire

c £38,000 + F/X Car + Relocation

Our client, a privately owned FMCG Group, turning over c£200 million with manufacturing sites covering the South West and London, has created a new position reporting directly to the Group Finance Director. With significant re-focusing at Group level (including the appointment of a new Chief Executive) the business now sees the need for a proactive, logical candidate to 'add value' to the bottom line consistently. This critical appointment will involve building quickly close relationships with profit focused business management teams and Group Senior Management.

The role will focus on reviewing group information requirements, looking at the needs from production through to the front line sales team.

You will need to clearly prioritise, review and understand MIS capabilities, ascertain key business needs and work closely with

IT and the Group Finance Director.

Involvement initially will include monthly reporting and if wanted, statutory reporting. Due to the nature of the role, career development will progress through a more senior finance appointment or into general management.

You will be a qualified accountant with 2-4 years PQE, currently working to give business solutions to manufacturing sites, clearly goal driven and focused on creating more opportunity to adding value to each management team. In a 'work hard play hard' environment the Group will offer initial rewards blended with long term career progression.

Interested candidates should write to Gareth Davage enclosing a full curriculum vitae and daytime telephone number to Michael Page Finance, 29 St Augustine's Parade, Bristol BS1 4UL, quoting ref HHDW.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide**Financial Controller**

UK Sales

Berkshire

c £40,000 + Bonus + Car

Our client is an £800 million subsidiary of one of the world's largest Information Technology companies operating in telecommunications, semi-conductors and other electronic devices. It is a truly European company with a wealth of experience in the design, manufacture and marketing of personal computers and server systems along with the software to support them. With 2000 employees and working through a network of strong local operations, the business is well placed to realise its ambition of a European brand leader in PCs, Notebooks and Servers.

In order to strengthen their financial and commercial expertise, the company now seeks an ambitious qualified accountant to join the senior management team within the UK Sales Division. Reporting directly to the General Manager, responsibilities will include:

- Comprehensive profit and loss management.
- Full financial support to the business on all commercial and pricing issues.

- Developing systems to provide management information and performance measurement.
- Customer liaison on trading terms and credit control.
- Management and development of a senior strong team.

Likely candidates will be graduate calibre qualified accountants with a successful track record in a sales environment. You will have held a No.1 finance position reporting directly to a General Manager with full bottom line responsibility. Having strong commercial experience to pricing decisions and trading terms, you must be able to demonstrate leadership skills, energy and the ability to operate effectively in a fast changing, results orientated organisation.

Interested applicants should forward a comprehensive CV, including details of current salary and daytime telephone number, quoting reference 335150 to Anthony Spratt ACMA, Michael Page Finance, 33 Blagrove Street, Reading, Berkshire RG1 1PW.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide**Project Consultant**

Glasgow

c £50,000

National Australia Group is the holding company for National Australia Bank, an international financial services group operating regional franchises in five countries and a network of branches and representative offices throughout Asia.

In the past decade, the National has sought to increase shareholder wealth by diversifying its income streams and by following a clearly defined strategy of focused acquisitions and controlled organic growth.

Today, National Australia Bank comprises one of the largest and most successful financial service groups in the world.

Reporting directly to the project manager and interfacing with senior management, you will be responsible for providing a financial accounting service to a major re-engineering programme, ensuring that all programme reporting complies with the group project management methodology and

group finance requirements. Responsibilities will include generation of all financial plans and replans across the year both for Europe and returns for Group to Melbourne, budget definitions and tracking of project costs and benefits generated from the business cases and input to all project reporting for European and Group Steering Group packs.

The successful candidate will possess good 'hands-on' change management experience coupled with the ability to make a valuable contribution to the successful execution of a major project. They will be an assertive individual whose excellent interpersonal skills complement a sound technical knowledge.

Interested applicants should forward a comprehensive curriculum vitae, including salary details quoting reference number 313149 to David Brodie or Jason Saunders at Michael Page Finance, 150 West George Street, Glasgow G2 2HG or fax 0141 331 1426.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide**FINANCE DIRECTOR**

A Growth-Orientated Divisional Role

Thames Valley

to £65,000 + Benefits
Considerable Bonus Potential

Our client is a leading quoted international contracting group. Following a recent reorganisation, there is a requirement to recruit a Finance Director for their largest and most diverse division.

THE POSITION

- Executive responsibility for the Division's UK and international financial management and control.
- Provision of first class commercial and strategic direction and key input into the Division's acquisitions and organic growth.
- Interaction with Operational Board Directors to ensure that performance measures are understood and achieved.
- Key involvement in identifying innovative financing structures to match customer requirements.

QUALIFICATIONS

- Graduate qualified accountant, aged early 30s to early 40s, with broad commercial and line management experience.
- Proactive and energetic style, capable of communicating effectively with all levels of an organisation.
- Experience of a multi-site group environment, with an international outlook and motivated by business development/M&A.

If you are interested in this exceptional opportunity, please write enclosing full career and current salary details to the advising consultant, Jon Boyle at Questor International Limited, 3 Burlington Gardens, London W1X 1LE, quoting reference 2239. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: jon@questorint.com



QUESTOR INTERNATIONAL

FINANCE CONTROLLER - EUROPE

Prestigious High Growth International Retailer

London

Excellent Package

Our client is an international retailer with an outstanding record of high growth across its leading high street trading names. The business is on course to achieve its ambitious growth targets of over one hundred retail outlets across its European operations, through maximising opportunities in its existing markets and opening outlets in additional countries. There is now a requirement for a Finance Controller - Europe to be responsible for the centralised finance function.

THE POSITION

- Reporting to the Finance Director - Europe, manage and develop the financial accounting and reporting function to assist the country operations as the business continues to grow.
- Ensure the financial and management information systems meet the current needs of the business and its future requirements.
- Work with the Finance Director to establish a consistent financial services strategy to support the European sites that promotes rapid decision-making throughout the organisation.

QUALIFICATIONS

- Qualified accountant aged in your early to mid 30's. Post qualification experience gained in leading multi-national consumer businesses.
- Pan-European experience a prerequisite. Exposure to a centralised finance function would be an advantage.
- Proven man management skills and team building approach combined with the drive, energy and commitment to achieve results.
- Self-starter, pro-active visionary with entrepreneurial flair.

Interested candidates should write, enclosing full career and current salary details to the advising consultant, Sharon Glenaway, quoting reference 2225 at Questor International, 3 Burlington Gardens, London W1X 1LE. Tel: 0171 292 8300. Fax: 0171 287 5457. Email: sharon@questorint.com



QUESTOR INTERNATIONAL

UNIT FINANCIAL CONTROLLER

£60,000 + CAR + GENEROUS BENEFITS
CENTRAL LONDON

Our client is a household name and one of Britain's foremost public groups. It has a proud record of growth and success over many years and is now reinforcing its dominant position in the retail financial services sector by implementing a carefully planned strategy of change, diversification and acquisitive expansion.

This is a high-profile, commercially-orientated appointment arising out of a recent restructuring. Reporting to the UK Financial Controller and managing a sizeable team, the successful candidate will work closely with the Director of a substantial business unit (budget c£50m) and will provide him with full commercial and financial support. This will entail overseeing the timely production of the full range of financial and management information, analysing business performance, and delivering sophisticated reports and

advice to underpin the decision-making process and help drive the unit forward.

Candidates should be high calibre, graduate Chartered Accountants with about 10 years PQE. We are looking for someone with business flair, an analytical mind, board level credibility and strong leadership skills. Candidates should have had several years' financial management experience within a large corporate environment, and should have the ambition and potential to take on increasing responsibilities over the next few years.

Please reply in confidence, enclosing your CV and current salary details to Paul Carosso at Howgate Sable & Partners, 35 Curzon Street, London W1Y 7AE, quoting ref: FT484P.

Visit our web site at <http://www.topjobs.co.uk/howgate>



**Howgate Sable
& PARTNERS**
EXECUTIVE SEARCH AND SELECTION

London • Manchester • Leeds • Newcastle

CableTel Finance Manager

Telecommunications

Luton

Excellent Package

CableTel, part of the NTL group, is the third largest cable television and telephone company in Britain. It is at the forefront of technology and the working environment is youthful, fast-growing, meritocratic and team-spirited. This is a number one Divisional Finance position as a member of the senior management team driving business performance.

THE POSITION

- Report to Divisional MD and group Finance Director. Full accountability for finance function.
- Role includes financial and management accounting, monitoring of extensive capital expenditure programme, cash flow management, budgeting and forecasting. Significant development of systems and procedures.
- Lead and motivate team. Represent finance function on management team. Make full contribution to overall business performance.

QUALIFICATIONS

- Qualified accountant with 4 years' PQE, at least 3 in industry/commercial environment. Excellent track record in fast-paced, changing business.
- Commercially astute. Energy to support growing business.
- Strong motivational and interpersonal skills. Proven management experience. Open, supportive and enthusiastic management style. Excellent communicator.

Please send full cv, stating salary, ref LD70502, to NBS, Yorkshire House, Greek Street, Leeds LS1 5SX

Fax 0113 243 2339 Tel 0113 245 3830

Aberdeen • Birmingham • Bristol • City • Edinburgh • Glasgow

Leeds • London • Manchester • Slough • Madrid • Paris

NB Selection



Selection and Search

A NBS Resources plc company

ISO 9002 Registered



Project Consultant

Glasgow

c £50,000

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Interested applicants should forward a comprehensive curriculum vitae, including salary details quoting reference number 313149 to David Brodie or Jason Saunders at Michael Page Finance, 150 West George Street, Glasgow G2 2HG or fax 0141 331 1426.



Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Workwide

Head of Finance

Central Scotland

to £100,000 Package

One of Scotland's best known companies, our client has several thousand staff across a number of sites with a turnover measured in £10's of million and is highly profitable. They have recently diversified into a number of related service offerings and are determined to achieve significant further growth in their core products whilst continuing a re-engineering programme to reduce the cost base.

Central to this will be the Head of Finance who will manage a large finance team responsible for all financial analysis, planning and production of monthly and annual accounts. Reporting to the Chief Executive and liaising closely with Corporate HQ your main role will be to work with the other divisional heads and through business planning, sophisticated KPI reporting and suggestions on best practice or other aspects such as outsourcing, help them maximise profits.

This is a young energetic and hard working executive team. To fit in you will be extremely bright, determined and innovative. Obviously a qualified accountant, with outstanding achievements in exams or early business career, you must currently use technology to present information of relevance to non accountants and will probably be working in a large scale sophisticated industrial or service organisation.

The remuneration package includes a base salary of around £70,000, non contributory pension, bonus of up to 25%, car or cash allowance and relocation assistance if required.

Please send full career details including salary requirements to Douglas Kinnaird C.A. as advisor to the company at MacDonald Kinnaird.

**MacDonald
KINNAIRD**

HUMAN RESOURCE CONSULTING • BUSINESS DEVELOPMENT TRAINING

RWF House, 5 Ranfield Street, Glasgow G2 5EZ

Outstanding New Business Development – South Africa



Merrill Lynch



Michael Page City

International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

Merrill Lynch is a leader in investment banking with an outstanding reputation in the debt, equity and derivative markets. As part of a major strategic initiative in their global operation, Merrill Lynch has acquired 100% ownership of the South African broker, Smith Borkum Hare. Independently renowned as a leading broker for South African equity trading and corporate finance, it is Merrill Lynch's plan to develop existing business and expand into areas such as proprietary and derivative trading.

In order to support the expansion of this operation both within South Africa and as a base for expansion in the sub-Sahara, Merrill Lynch is seeking to hire experienced Heads of Department and Section Heads within Operations, Finance, Technology and Project Management. Successful candidates will be invited to either move directly to South Africa, or alternatively, spend time in the London office prior to relocation.

These will be key hires, as they represent the future of the company and will afford the successful candidates excellent career opportunities.

Key responsibilities will include:

- Developing and implementing new systems to ensure that business growth can be effectively supported.
- Hiring, leading and managing teams during a period of major change.
- Providing high quality control systems.
- Develop a leading-edge technology environment.
- The provision of a secure and regulated environment.

Candidates will be high calibre professionals who excel in their area of expertise. They will not only be resourceful, but resilient and capable of making a contribution at a senior level within an expanding business.

These roles offer exciting opportunities to work in a dynamic expanding market within a prestigious organisation. The package will be competitive and comprehensive, reflecting the overseas nature of the appointment.

Interested candidates should contact Anne Tinsley or Rosalind Coffey at Michael Page City on 0171 269 2305. Alternatively, write to them, enclosing a full CV at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax: 0171 405 9649. Please quote ref 346115.

Attributes and experience of interest will be:

- A minimum of three years investment banking experience in Operations, Finance, Technology or Project Management.
- A thorough appreciation of change management issues.
- Strong understanding of control systems and systems implementation.
- Technical expertise encompassing mainframe, open-systems and desk-top technology.
- Excellent communication skills, combined with strength of character, presence and personal credibility to ensure effective liaison with front office management.
- For Finance, an accountancy qualification is required.

COTY
PARIS • NEW YORK

NLG135,000
+ Car
+ Benefits
(expat tax)

Amsterdam

**MARTIN WARD
ANDERSON**
LONDON • BIRMINGHAM • ST ALBANS

Finance Director

Coty Inc. is a \$1.6bn multinational FMCG organisation with its headquarters in New York. Since 1990 the company has experienced rapid growth, making a series of acquisitions designed to achieve worldwide market leadership. They are now entering a new phase of growth involving further expansion into Eastern Europe, Latin America and Asia, as well as having recently undertaken a major restructuring of their Western European business.

As a result of this growth, our client is now seeking to recruit a young, ambitious Finance Director for their Benelux operations. This region currently has a turnover of NLG135m, and 250+ employees. They enjoy a market leading position, owning several dominating brands both in the 'mass' and 'prestige' cosmetics sectors. Their business is expanding quickly, allowing the senior management team the opportunity to gain valuable experience of shaping a business.

The new Finance Director will be responsible for the following:

- Key business advisor to commercial and operations management
- Managing cross-border finance team (14 staff)
- Co-ordination of financial analysis, planning and forecasting
- Financial reporting and control (US GAAP)
- Ongoing enhancement of business information systems
- Providing proactive input for international finance development.

The successful candidate will be a graduate, qualified accountant, aged late 20s/early 30s. Further, they will have gained significant international exposure to date, preferably within another FMCG environment. Fluency in English is essential (knowledge of Dutch would be an advantage). Overall, they will have a record of achievement and adaptability with previous employers, and have proven experience of successfully managing a team of people. The package on offer is intended to attract a high calibre, empowered individual. Relocation assistance will also be available.

Interested candidates should send a full CV quoting reference 38920 to Richard Wright at Martin Ward Anderson, 20 Shorts Gardens, Covent Garden, London WC2R 9AU. Tel: 0171 240 2233. Fax: 0171 240 8818. E-mail: info@mwa.co.uk. Initial interviews will be held in London and Amsterdam.

APPOINTMENTS WANTED

FINANCIAL CONTROLLER/GLOBAL AUDIT MANGER SWITZERLAND

Heavyweight finance professional (CA + FIIA) with many years varied world leaders experience (banking, service & airline industries), Swiss & Brit (46), working German & French. Is used to travelling extensively from his own office in Zurich. Desires a permanent or contract role

Phone 0041 (0) 79 4164661 Anytime

حکومت الرشید



International Tax Opportunities

Bechtel enjoys an outstanding reputation in providing premier technical and management services to develop, manage, build and operate installations for its customers. With headquarters in San Francisco, Bechtel works in over 70 countries in industries as diverse as petrochemicals, power and civil. In today's competitive environment, development of innovative tax structures to help win work and implement projects at least cost is as critical to the business as the traditional technical disciplines. This combined with greater responsibility given to the Regions has created exciting new opportunities in London for individuals with drive and initiative to develop in-depth international experience in commercial and technically challenging roles.

Senior Tax Advisor

You will have complete responsibility for all tax related matters for a number of countries and will work as an integral part of the international proposal and project teams for these countries.

Reporting to the Regional Tax Manager, the key responsibilities will be:

- Providing innovative tax advice for structuring proposals taking account of non-tax issues.
- Development of country tax strategies.
- Advising and co-ordinating with project management.

The role will involve an element of overseas travel.

The ideal candidate will be ACA or ATT qualified with 3-6 years post qualification experience with a working knowledge of international tax gained in a commercial organisation.

Both positions will be based in West London and Bechtel offers an attractive remuneration package which includes a competitive base salary and bonus with excellent career development opportunities worldwide.

If you are interested in either of these roles, please contact Donald McFarlane CA on 0171 269 2246 or write to him enclosing a CV to Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN or fax on 0171 831 6662.



Michael Page Taxation

Specialists in Taxation Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Tax Advisor

Working closely with, and reporting to the Regional Tax Manager, your key responsibilities will be:

- Management of complex compliance work performed by project staff and advisors.
- Tax reporting and liaison with head office tax department.
- Assisting in country tax reviews.
- Assisting the Regional Tax Manager on ad-hoc international project work.

It is expected that the successful candidate will be an accountant or ATT qualified and will have up to 3 years post qualified experience.

Previous knowledge of international tax is an advantage but is not essential.

Regional Internal Audit Manager Based in Hong Kong

NatWest Markets is the corporate and investment banking arm of NatWest Group, one of the largest and best capitalised banking groups in the world (rated AA by S&P).

Due to the continued success of NatWest Markets' expansion in Asia, we require IT auditing professionals to contribute their experience of delivering value added internal audits.

You should have:

- 5 years' post graduate experience
- Exposure to equities, capital markets or treasury products
- Initiative, drive, leadership, analytical and team skills
- Excellent interpersonal and report writing skills
- Worked in a securities or investment banking firm

Approximately 30% - 40% of your time will be spent travelling throughout the Asia-Pacific region. It would be advantageous if you are fluent in an Asian language, such as Cantonese/Mandarin or Japanese.

Competitive salary and benefits will be offered to the right candidates. Please send your detailed CV, including current and expected salary level, your contact telephone number and a recent photograph to:

The Manager, Human Resources, NatWest Tower 4th Floor, Times Square, Causeway Bay, Hong Kong.



NATWEST MARKETS



Outstanding Opportunities in Global Equity Derivatives

Chase is a leading US Bank with a global network spanning 52 countries and holds an enviable position in the Investment Banking arena. Our commitment to innovation and progression has resulted in increased trading volumes, improved technology and product diversification. We are now looking for high calibre professionals to join our global cash equity and equity derivatives operations groups in London.

The Equity Derivatives Operations Group based in London provides support for traders in London, New York, Hong Kong and Tokyo. The business is complex and constantly evolving and we view the recruitment of accountants with relevant experience as central to continued expansion. We therefore now need to recruit two experienced finance professionals.

Regulatory Reporting Analyst

This role is crucial to the Group's trading activities and involves the coordination of all weekly reporting in line with CAD guidelines, stress testing of portfolios (including analysis of the risk results for derivatives) and the coordination of SFA daily transaction reporting requirements. A key element of the role will be the analysis and investigation of regulatory issues arising from new product lines and a strong involvement in systems implementation plans.

Ideal candidates will be qualified accountants with a minimum of two years previous regulatory reporting experience and an ability and desire to apply this knowledge in an expanding global equities business.

Both roles require well developed logical/analytical and investigative skills and an aptitude for complexity. Candidates should enjoy working as part of a team and be challenged by change.

Interested candidates should send a CV to Sarah Hunt at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LN, or fax it to her on 0171 405 9649.



Michael Page City

International Recruitment Consultants

London Paris Frankfurt Hong Kong Singapore Sydney

Financial Accountant

The Financial Accountant has a high profile role in the Group and will supervise a team responsible for the accuracy of the GL and the reconciliation of profit and loss between management and financial records, across the whole equity derivatives business. The Financial Accountant will play an important part in the development of procedures for the booking of new transaction types and implementing changes where necessary. They will be involved in extensive liaison across other product areas within Chase coordinating settlement and valuation accounting and will play an important part in new systems implementation plans providing feedback on development. Ideal candidates will be qualified accountants with at least two years post qualified experience and a good understanding of equity derivatives.

FINANCIAL CONTROLLERS

- UK
- Isle of Man/Guernsey c. £35,000 + benefits

Our client is the holding company of specialist medical equipment suppliers operating in the healthcare industry. In the relatively short period since its establishment, the Group has achieved significant milestones in its development path and is now engaged in the expansion of its marketing and distribution network covering Europe, the Americas, and the Far East for its proprietary products manufactured by a major US multinational on an OEM basis. The Group has subsidiaries operating in the UK and offshore.

The Group is entrepreneurial, fast growing and strategically driven, and has set challenging objectives for its corporate development over the next 3 years, including flotation of the company. The Group is seeking to recruit two Financial Controllers, one in the UK, and one offshore.

The Roles

- Complete responsibility for the finance department, ensuring timely and accurate reporting of management information to Group MD.
- Production of weekly flash reports, monthly management accounts, budgets, cashflow forecasts and statutory accounts.
- Foreign exchange management.
- Responsibility for managing and developing the requisite internal control systems for an international distribution company.

The Qualifications

- Fast track qualified accountant, at least 5 years post qualification experience preferably within a consumer goods distribution environment.
- Highly computer literate with excellent spreadsheet skills.
- Well developed management and communication skills, with strong technical ability that will inspire confidence.

These positions will appeal to commercially astute, action driven, finance professionals, interested in making a meaningful contribution to the growth of a company at a very significant stage of its development.

Please write enclosing full career details and current salary (or Butler & Co. (Ref. FC 5-97) Walnut House, 288 Regent St, London W1R 5HF

REGULATORY CONTROLLER

Constant, influential interaction with business management

LONDON

CREDIT SUISSE FIRST BOSTON is a leading global corporate and investment banking firm, providing comprehensive financial advisory, capital raising, sales and trading, and financial products for users and suppliers of capital around the world. It operates in over 50 offices across more than 30 countries and 6 continents, and has over 10,000 employees.

Reporting to the European Head of Regulation, and acting as his deputy, you will be part of a team that fulfils a particularly high profile and proactive function beyond that normally associated with regulatory reporting. With a team of 11, you will be responsible for all financial reporting to the SFA and Bank of England and to the regulator of the parent company.

Given the level of complex new business development, the liaison between business management and the regulators in structuring deals appropriately will be a critical element of your role. In addition, you will be expected to contribute to the on-going project to reorganise the legal and regulatory structure of the firm's European operations. In the longer term,

To apply in strictest confidence, please write enclosing a CV, quoting ref: 246 to Tim Musgrave at The Bloomsbury Group, 1 Southampton Street, London WC2R 0LR, or alternatively telephone him on 0171 379 1100, Fax 0171 240 6862. All direct applications will be forwarded to The Bloomsbury Group.

**CREDIT
SUISSE**

**FIRST
BOSTON**

FULL BANKING BENEFITS

you will become involved with assessing the impact of the new Value at Risk, Basis proposals and assisting in their ultimate implementation in the European region.

Either you will be fulfilling a similar role in a recognised institution but looking for a higher level of business involvement, or you may be a qualified ACA at senior manager level within the profession with significant exposure to capital markets and the associated regulatory issues. Product knowledge, investigative abilities and relationship management skills will all be prerequisites. Full training will be given in Swiss capital regulation.

This position is not an administrative, form filling role. Rather it is an outstanding opportunity to join one of the best known names in the banking world in a creative role that actively influences day to day business. You will be involved in the latest developments in the markets whilst also building on your financial and management skills.

International Industrial Group ASSISTANT GROUP CONTROLLER

European Base

Excellent Package

This is a truly unique opportunity to join the small head office team of an international industrial group. With sales in excess of \$2 billion, operations throughout the world, and a focus on specialised industrial products and information technology, you will be operating in a challenging and complex international environment. Reporting to the current Group Controller, we are looking for outstanding candidates, capable of taking over this further group responsibility.

THE ROLE

This high profile position within a small dynamic team will expose you to a wide range of business issues. You will be expected to support the group's senior management by:

- Analysing monthly operating reports, identifying key trends, variances and issues, interpreting the financial accounts and making business and control recommendations.
- Monitoring and analysing competitor moves and performance.
- Carrying out the financial analysis of major group acquisitions and divestments.
- Liaising with the group's auditors and managing an internal audit and control environment.

THE CANDIDATE

Ideal candidates will be graduates, qualified accountants with several years' experience of auditing and controlling within an industrial group. MBAs with suitable experience will also be considered. You will be fluent in English. Knowledge of German and/or Dutch would be advantageous. You must be able to communicate clearly at all levels within an organisation, and be a self-starter, able to operate in a flexible and complex international environment.

Please write, enclosing your CV to the Group Personnel Manager, Box A5443, Financial Times, One Southwark Bridge, London SE1 9HL, quoting reference P101/FT.



Newly Qualified
Accountant - Treasury

West of London

£Excellent + Car
+ Benefits

Rothmans International is one of the world's most successful tobacco companies with a turnover in excess of £3 billion and a wide portfolio of market leading brands. The group is committed to growth on a world wide scale.

Due to a series of internal promotions an opportunity now exists for an ambitious young accountant to join the UK Treasury function. This department manages the foreign exchange exposures for all the wholly owned subsidiaries of the Rothmans Group and funding for UK owned operations.

Supervising and directing a small team, the Treasury Accountant is responsible for managing relationships with the banks and working in close liaison with dealers and senior managers across the group companies. The jobholder will also be responsible for

ensuring all derivatives and other financial instruments are monitored as well as maintaining the integrity of, and actively developing, systems and procedures.

The ideal candidate will be a recently qualified accountant with experience of working within a Corporate Treasury or Banking environment. However qualified accountants with a strong desire to join this highly successful firm organisation, who can demonstrate a fast track record of achievement and highly tuned analytical skills, are also invited to apply. Rothmans is committed to developing its people and numerous opportunities exist to progress in the UK and abroad.

Interested applicants should write, enclosing a detailed CV stating current salary, to Lucy Bennell at the address below.

Alderwick Peachell

Alderwick Peachell Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA
Tel: 0171 404 3155, Fax: 0171 404 0140.

Corporate Recovery & Investigations

...AN OPPORTUNITY TO ACCELERATE YOUR CAREER POTENTIAL

SOUTH EAST REGION

TO £30K

This prestigious corporate recovery practice is firmly established as a world leader, with an enviable reputation for handling high profile work. They now seek to appoint a qualified senior to join their dynamic professional team in the UK South East Region. Although the emphasis will be towards company investigations and business reviews, the role will encompass other aspects of corporate recovery work.

Ideally graduate calibre, you will probably have 2 years p.d.e. in a relevant commercial role in a professional practice, industry or financial services. Key personal qualities must include tenacity, a clear thinking and analytical mind, and the proven ability to present convincingly.

The package includes excellent career prospects through to partnership.

To apply, please send - in strictest confidence - CV and current salary details, quoting ref FT14126 to Andrew Harris, Matthews Harris Consulting, 44/46 Lower Bridgeman Street, Bolton BL2 1DG.

Tel (01204) 389188 Fax (01204) 398189. Interviews will be held locally.

**Matthews Harris
CONSULTING**

This position is being handled exclusively by Matthews Harris Consulting.

CENTRAL SCIENCE LABORATORY

Head of Finance

Yorkshire

The Central Science Laboratory (CSL) is an Executive Agency of the Ministry of Agriculture, Fisheries and Food. The Agency provides policy advice and technical support underpinned by high quality R & D to help MAFF and other customers safeguard food supplies, protect customers and the environment.

Due to a continued focus upon increased commerciality and competitiveness, CSL now requires a Head of Finance to provide a comprehensive financial and management accounting service to the CSL management board.

This challenging role, reporting directly to the Business Support Director, will encompass:

- Ensuring financial planning and reporting requirements of the organisation are achieved.
- Developing the existing management information system with a view to meeting current and future operational and management requirements and reporting against business performance targets.
- Further developing pricing and costing methodologies and systems.

£40,000 + Relocation

- Managing the finance team, with the objective of providing a professional support function to the organisation.
- Making a significant contribution on various critical business decisions/issues.

Candidates will be qualified accountants with exceptional interpersonal and communication skills. A dynamic, ambitious and commercially aware accountant wishing to make a valued and significant contribution to the organisation. Experience of pricing, contract cost and project management is required and an exposure to strategic IT management would be desirable.

If you feel you have the necessary skills and experience, please send a comprehensive CV, including salary details (quoting reference 340606) to Martin Hanratty, Michael Page Finance, Leigh House, 28-32 St Pauls Street, Leeds LS1 2PX. Alternatively, fax him on 0113 2433177.



Michael Page Finance

Specialists in Financial Recruitment
London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Group Finance Director Designate

HOUSEBUILDING/CONSTRUCTION SECTOR

£570,000, FULLY EXPENSED CAR, PERFORMANCE RELATED BONUS
AND BENEFITS PACKAGE
NORTH WEST

Highly regarded, profitable, quoted housebuilding group with a turnover of £280m is seeking to appoint a high calibre finance professional to this key role.

Reporting to and working closely with both the Chairman and Chief Executive, this important appointment carries broad responsibility for group finance, administration, company secretarial and IT functions. Emphasis will initially be focused on driving the development of more sophisticated computerised financial and management reporting systems to meet the needs of a fast paced, growth orientated business.

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ARTS

The importance of being cultured

Accessibility and education are the priorities of the new arts ministry, reports Antony Thorncroft

The new brooms of new Labour have found their way into what was one of the least significant corridors of power, the department of national heritage. "We will be a very vigorous ministry," says Mark Fisher, the new minister for the arts. "The previous government tended to concentrate on arts funding. Our approach is to look at the cultural industries."

To go with the new image, the name of the department is likely to change, with the ministry of culture and sport the current favourite designation. Its relatively tiny annual budget of £1bn might not expand, nor escape the cost-cutting eagle eye of Gordon Brown's Treasury, but its confidence in the ability of the arts to transform society has never been greater. Tony Blair says culture matters, both economically and spiritually, and Mark Fisher is there to deliver.

His appointment as arts minister has been warmly welcomed by the arts world. He was an assiduous and able shadow, and the fact that he was never destined for the top job - Chris Smith is heritage

secretary - was regretted by many. But a refined, larger role with a new title has been found for him. He inspires confidence as he sketches out policy in his new office, the walls covered with abstract art by John Hoyland, Bridget Riley, Frank Auerbach and Howard Hodgkin - slightly older contemporaries but, in many cases, friends of the cultivated Fisher.

"There are two over-riding priorities: expanding access - cultural life must be available to more people; and developing the role and importance of the artist. If you have better artists you have better cultural industries."

These are not just pious aspirations. To ensure a wider audience for the arts, theatres, for example, will be encouraged to offer a "pay what you can" night, with the extra cost being met by sponsors. The experience of the magazine Look in supporting such access at the Tricycle Theatre, Kilburn, has impressed Fisher and suggests that this can be an inexpensive and mutually beneficial initiative.

In opera, Covent Garden will be expected to keep to its aim of cut-

ting seat prices when its new House opens in 1999. Chris Smith said as much in his speech at the Royal Academy of Arts last night. Museum charges are another hot issue - "the collections have been paid for by the public," says Fisher - and the museums that currently charge will be asked to justify their policy. "The National Gallery and the Tate flourish without charging. There will be pressure on the Victoria and Albert to explain its admission charge." A digital archive of all the great paintings in the UK, available free to schools and libraries, was another idea floated by Smith at the RA.

The big international media companies will be pressured to give more back to society, to help encourage a young audience, their future customers. Cut-price cinema seats, discounted books for schools, investment in arts education - all will be explored and championed by the ministry.

To bring on a new generation of artists, musicians, writers, broadcasters and film makers the government will re-assess the millions being spent on media and cultural

studies courses, which are reckoned to train thousands of students with little hope of work in these areas. The money might be better invested in grants for dance and drama students, and for the practitioners of the arts of the future.

Significantly, no mention is made of lottery funding. Mark Fisher knows that if the proceeds of the Wednesday lottery are creamed off to boost education and health (as the new Lottery Bill proposes), the arts, heritage and the other good causes will have less money to spend, with arts lottery revenue likely to fall from around £285m a year to nearer £235m.

Even Tony Blair's pet NESTA scheme - the National Endowment for Science and the Arts - will not have to wait for the proceeds of the Millennium Lottery Fund to become available. David Putnam is investigating ways in which artists can allocate their copyright earnings to this great new cause. The lottery as an artistic cure-all is not paramount.

In many ways the government's approach is conservative. The Arts

Council, English Heritage, the Museums and Galleries Commission, all the main art institutions are safe. "We will be hands-on in strategy but not in the day-to-day running of arts companies."

Certain sectors where the government is a major customer, such as architecture, will get more attention with the development of guidelines to ensure that future government buildings will have more quality.

In many ways, with its talk of the importance of the arts as an industry, the new government sounds much like the old. But, at the moment, there is a sense of urgency and commitment to the arts, long missing from Whitehall. The belief is that Tony Blair cares, and his concern energises Chris Smith and Mark Fisher.

"In two centuries time it will not be our politicians, or our industries, or our hospitals that future generations remember, but our artists, architects and writers," says Fisher. The arts world is used to hearing inspiring and encouraging words. It now expects the government to make them real.



Amiable: Mark Fisher, the new minister for the arts

Theatre 'Titus' badly mauled

Even by the low standards of Shakespearean performance now widespread in Britain, the National Theatre of Craiova's production of *Titus Andronicus* is dreadful. Were it performed in English, it would be treated with contempt as what it is: flashy, cheap-minded, crudely sensationalist, atrociously acted. As it is, it comes to us in Romanian.

The acting is, indeed, the worst element of the production. Those unfamiliar with this gory play may not know that Lavinia, Titus Andronicus's daughter, is not only raped by the Emperor's stepsons but also has her tongue cut out and her hands chopped off by them. In this production, however, her father adds one more blow: he rants and roars about her sufferings so vehemently that he actually shakes her, in her newly maimed condition, right off her hospital bed onto the floor. The actor in question is Stefan Iordache, who has a whale of a time. He switches from bass register to tenor and back again, from fortissimo to piano (and back again) - for no expressive reason, just to make an impression. He has several preposterously contrived gestures (I adored the slow bend sideways while slowly lowering a limply extended hand above his head, thumps the table a lot. He feigns no end of laughter, whining, and growling).

As the evil empress Tamora, Mirela Colaba is no less jolly; and, like him, she throws in various extended tears-turning-into-laughter attempted tours de force. She narrows her eyes and speaks in a squeaked, sly voice to make sure we see how evil she is; but, with her lower Aaron, she adopts a baby-doll voice of equal artificiality.

Obviously, the director, Silviu Purcarete, likes this sort of ludicrous acting. The Latinian sonority of the Romanian language becomes an end in itself; the actors never address each other, or God, or us, as if their stage lives were remotely like real life. Nowhere do Purcarete's charac-



Curtains for Lavinia: an absurd Romanian production of 'Titus Andronicus'

ters show any of the natural humanity that we recognise as Shakespearean: everything is consigned into melodrama of the most obvious kind.

For Purcarete, *Titus* is comedy - no more tragic than a Dracula movie and a great deal lewder. (This is the first *Titus* I have seen where the most physically savage scenes win laughter from sections of the audience, and not of the nervous kind.) Tamora's two vicious sons, for example, are terrible twins here: the hulking Tressildum and Tresseldede of the Goths, they pee into the back-drop and chortle to see their

mother start to copulate with the emperor. Not only does Tamora hump Titus, he responds. The finale, in which Titus stabs Tamora, Saturninus stabs Titus, and Lucius stabs Saturninus, becomes a quick little quadrille, the big comic payoff to the whole silly story (while a Mozart piano concerto plays on).

Stefania Ceneanu's designs add to the romping quality of the comedy. Tamora has a vast mass of hair down to her thighs (well, you know what Goths are like). Aaron has a ponytail of hair pouring from the front of his loincloth. White curtains sur-

round most of the action, often animated by unseen hands. At times they hold props in mid-air while the actors busy themselves elsewhere, at times they blind certain characters fast; and the effect is invariably absurd. *Titus Andronicus* as comedy? How sick, how unfunny, how dull.

Alastair Macaulay

At the Lyric Theatre, Hammersmith, until May 24; then at the Nottingham Playhouse, May 27-31. With the support of the Foreign and Commonwealth Office.

The Brighton Festival Mistress of her dance

Where have the years gone? It seems no more than a moment ago that we saw Siobhan Davies as a tall, elegantly-articulated young performer with London Contemporary Dance Theatre who was just starting to make choreography. But her first piece came in 1972, and within a couple of years she had made works which I remember admiringly to this day: *Pilot*, with its group of dancers stranded by night; *The Calm*, so serene; and the lucid, contemplative *Diary*. Here was a true, fresh and perceptive creator. Here also was a dancer who could reduce a theatre to hysterics as she set about putting up a deck-chair and changing her costume in Robert Cohan's *Waterless Method*. It was the world war organised by Ben Lilie.

Throughout the next decade these columns continued to record Davies' progress. At one moment it seemed as if her talent was becalmed, as if she had sunk too deeply within herself, but the distinction of her means, a feminine sensibility and clarity of form, were constants even of her less successful pieces. Visually her stagings were no less precise in their stylish look, and a decade after a visit to America, it was as if Davies had renewed her talent, gained in physical drive with no loss of her natural refinement of expression. Her *Embassy* of 1988 for Rambert seemed to me a crucial development. The dance had a sweeping, more generous physicality than anything I had seen before.

Since then, Siobhan Davies' work has shown that confidence which comes to a creator secure in her craft as in her view of her art. Her concerns are about form and how that form may tell us about our world. Sometimes the dance's calligraphy is more vivid than the message, but the power of the brush-strokes, the subtleties of ink on paper, are hand-on rewards. And Davies demonstrates a rare virtuosity in handling her material. She dances, and knows how to bring a dare to success. In works as different as *Winniboro Cotton Mill Blues* (made in 1982 for Rambert) and the stunning *Art of Touch* for her

own troupe in 1995, she has a commanding skill in making dances. She is mistress of her art. And never more so than in her newest piece, which forms part of a double bill of recent work now touring Britain. The Brighton Festival brought the Davies Dance Company to the Gardner Arts Centre last Thursday, where I saw the brand new *Bank* and her revision of *White Man Sleeps* which dates from 1988. *Bank* is a dazzling construction, rooted in Matteo Fargeson's percussive score. If I say that it is intellectually exhilarating, it is because Davies shows how movement may be shaped, developed, knotted, untied, spread over the stage or confined into angry clumps of dynamics. But there is also a perceptible structure of phrase and variation, and - best of all - a kind of intoxication about the nature and quality of movement itself. Her dancers - Gill Clarke, Deborah Saxon, Sarah Warsop, Sean Feldman, Paul Old, David Hughes - are tremendous (and the men more tremendous than the women), and she and they are exactly attuned.

There is a drum-driven energy to the score which colours the dance; pulses, of density, give it emotional as well as physical force. It is typified for me in the dancing of Sean Feldman. A dancer of almost transparent physicality, he accepts the choreography's impulse, and can show how a phrase begins with a sharp accent of the head which then impels body and limbs into a seamless and subtly varied phrase. (Feldman is one of the most distinguished dancers in Britain today, and over the past five years, Davies has explored and extended his mercurial gift to splendid effect).

Bank is Davies at her most Lisztian - creator as virtuoso. The revised *White Man Sleeps* is undeniably fine, albeit its language is softer, its emotional and physical climate more secretive than in *Bank*; its score by Kevin Volans (in a version for harpichords, percussion, viola de gamba) is, I suspect, less inviting to dance. The piece is filled with fine lines of action, but I felt

slightly under-nourished by it. Watching *Bank*, which followed, I was held by a magisterial command of stage, of movement, of theatrical effect, though - and Siobhan Davies will laugh at me for saying this - these were hinted at, oh so slightly, in *Pilot*, nearly a quarter of a century ago. She has, across these 25 years, been true to her talent without compromise. What she has given us is a body of work of integrity, lasting significance, resonant grace. And there is (D.V.) much more to come. Doddering though I may well be by then, I look forward to her Golden Jubilee. Until then, admiration, gratitude, tremendous good wishes.

Clement Crisp

The British premiere of *K'yar* (*The Village*). Joshua Sobol's play as presented by Israel's Gesher Theatre, is competent, cutesy, earnest, sentimental, worthy, overlong, and not seriously deserving of international touring. Others may dispute this: the Brighton Festival engagement launched an English tour that continues until June 7.

Over three hours, the play charts the tale of one Israeli village over the years 1942-47. We follow things through the eyes of a simpleton. His friendship with a goat and a turkey, his romps with his elder brother and the girl who in due course becomes his sister-in-law, the ordinary and eccentric and foreign inhabitants of the village.

There is a great amount of well-meaning charm. The staging sets too much of its action to repetitive tunes, and aims too much of it directly out to the audience. Everything is saccharine except for the occasional bouts of warfare and suffering, and we always know how we will feel long before we feel it.

A.M.

Siobhan Davies Dance Company can be seen in Cambridge (May 30 and 31) and Sheffield (June 3 and 4). An autumn tour follows. *K'yar* tours to Newcastle, Cambridge, Manchester, and the Lyric Theatre Hammersmith.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA
Het Muziektheater Tel: 31-20-5518117
● Eugene Onegin: by Tchaikovsky. Conducted by Hartmut Haenchen and performed by de Nederlandse Opera. Soloists include Hebe Dijkstra, Elena Prokina and Hana Minutillo; May 25

BERGAMO

CONCERT
Teatro Donizetti Tel: 39-35 399 320
● Philharmonia Orchestra. London: with conductor Claus Peter Flor in works by Brahms. Part of the Festival Pianistico Internazionale di Brescia e Bergamo; May 25

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Nabucco: by Verdi. Conducted

by Renato Palumbo, performed by the Orchester der Beethovenhalle Bonn and the Oper der Stadt Bonn. Soloists include Mauro Augustini, Alexander Spemann and Lucia Naviglio; May 25

EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● Picasso: Works from the Collection and Works on Loan: exhibition of 25 pieces from the gallery's collection, together with three additional paintings on loan. Included in the display is a rare early collage work and a number of watercolour sketches; to Jul 30

FRANKFURT

EXHIBITION
Schirn Kunsthalle Tel: 49-69-2898820
● Berge, Blicke, Belvedere: exhibition featuring 184 works by lesser-known Swiss artists ranging from the Enlightenment period to the present; to Jun 1

GENOA

OPERA
Teatro Carlo Felice Tel: 39-10-588329
● Werther: by Massenet. Conducted by Daniel Oren. Soloists include Alfredo Kraus and Mika Shigematsu; to May 25

LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel:

49-341-12700
● Akademisches Orchester: with conductor Horst Förster and pianist Susanne Grützmann in works by Cherubini, Mozart, Bizet and Gershwin; May 25

LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Peter Sheppard: performance by the violinist, accompanied by pianist Aaron Shorr. The programme includes works by Schubert and Bartók; May 27
Wigmore Hall Tel: 44-171-9352141
● Orchestra of the Age of Enlightenment: with conductor Monica Huggett and oboist Anthony Robson in works by Muffat, Lully, Bach, Handel and Purcell; May 27

EXHIBITION

Dulwich Picture Gallery Tel: 44-181-6935254
● The Inner Eye: Art Beyond the Visible: exhibition examining the dreams and fantasies that have inspired artists from the Middle Ages to the present day. Featured artists include Blake, Colishaw, Ernst, Goya, Kandinsky, Klee and da Vinci; to Jun 1
National Gallery Tel: 44-171-7472885
● Student Transcriptions at the National Gallery: the result of a five years' collaboration between the National Gallery Education Department and several art colleges, this display comprises a wide range of student work inspired by paintings in the

Gallery's collection; to Jun 22

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Elektra: by R. Strauss. Conducted by Christian Thielemann. Soloists include Deborah Polaski, Nadine Secunde and Felicity Palmer; May 27

LYON

OPERA
Opéra National de Lyon Tel: 33-4-72 00 45 00
● La Bohème: by Puccini. Conducted by David Robertson, performed by the Orchestre, Choeur and Maîtrise de l'Opéra de Lyon. Soloists include Barbara Hendricks, Stephen Guggenheim, Anne-Marguerite Werster and Christophe Lacassagne; May 24, 27

MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Patricia de la Vega: the pianist performs works by Mozart, Schubert and Beethoven; May 24

MUNICH

EXHIBITION
Haus der Kunst Tel: 49-89-211270
● Carl Philipp Fohr: display of work by the German Romantic painter, featuring 340 drawings and seven paintings, many never before exhibited. Fohr's life was cut tragically short when he drowned at the age of 22 and this

one of the most extensive exhibitions of his work to be mounted; to Jul 20

NEW YORK

EXHIBITION
Brooklyn Museum Tel: 1-718-638-5000
● American Paintings: Ashcan and Modernist: display of works taken from the Museum's own collection of paintings from the first half of the 20th century; to Jun 28
International Center of Photography Tel: 1-212-680-1177
● Helen Levitt: Crosstown: retrospective of work by the American photographer, featuring 75 images, ranging from children at play in the 1940s to colour pieces from the 1970s and her recent black and white work, all portraying a vibrant city where life is lived out on the streets; to Sep 7

PARIS

DANCE
L'Opéra de Paris Bastille Tel: 33-1 44 73 13 99
● Signes: choreographed by Carolyn Carlson to music by Aubry, performed by the Ballet de l'Opéra National de Paris; May 27, 28

ROME

OPERA
Teatro dell'Opera di Roma Tel: 39-6-481601
● Il Barbiere di Siviglia: by Rossini. Conducted by Hugo de

Ana. Soloists include Bruno Praticò, Roberto Frontali and Ildebrando d'Arcangelo; May 27

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Die Zauberflöte: by Schubert. Conducted by Heinz Holliger and performed by the Wiener Symphoniker and the Concentus Vocalis. Part of the Wiener Konzerthausgesellschaft; May 27, 28

WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Alexander Calder: The Collection of Mr and Mrs Klaus G. Perl: exhibition of work by the American artist best known for his mobiles. In addition to 15 sculptures, the display includes works on paper and jewellery; to May 28

ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
● Die Zauberflöte: by Mozart. Conducted by Nicholas Cleobury. Soloists include Elena Mosuc, Margaret Chalkier and Roland Hermann; May 27

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COMMENT & ANALYSIS



Philip Stephens

Ballots and bullets

Blair might find it useful to listen to the views of a former IRA terrorist, who knows how Sinn Féin's leaders think

I recently met a man who used to murder for Sinn Féin/IRA. Like the London and Dublin governments, he makes no distinction between the political and the terrorist wings of Ireland's republican movement. Unlike them, he believes there is no prospect short of a united Ireland of the gunmen surrendering permanently the Armalite for the ballot box. The analysis may be mistaken. But, as Tony Blair offers republicans another chance to swap guns for politics, the views of someone who has pulled the trigger merit a hearing.

Sean O'Callaghan is a self-confessed double-murderer who once served as Sinn Féin/IRA's southern commander. By the early 1980s, gripped by personal revulsion at his part in a mindless campaign of terror, he was an informer for the Dublin government.

Then, in 1990, came a prison sentence totalling 539 years after he chose to admit his crimes in a British court. He was released last year on the command of the Queen after the security forces confirmed his role in the imprisonment of about 50 of his erstwhile friends. He lives now in the shadows - facing the automatic death penalty passed by republicans on informers.

Mr O'Callaghan is as passionate in his criticism of Sinn Féin/IRA as he was once in serving it. Before meeting him, I had doubts whether such a man was capable of a rational perspective. There seemed something of the over-zealous convert about him, an absolutism incompatible with the cool objectivity demanded of those who seek solutions. To some he is a patsy for the Protestant Orangemen whose triumphalism is republicanism's best recruiting sergeant.

I found him otherwise. Mr O'Callaghan's quiet, gentle demeanour belies his past

life. He is sure in his conviction that the so-called peace process is being manipulated by Gerry Adams and Martin McGuinness, Sinn Féin's leaders. But he is not blind to the dangers of arrogant unionism.

Briefly, his argument runs as follows. Sinn Féin/IRA has never abandoned violence. It has simply refined it to achieve maximum political impact. Its strategy has been based on a subtle shuffle between the ballot box and the bullet.

Mr Adams, this view says, wants first to displace John Hume's Social Democratic and Labour party as the dominant force within the province's nationalist community. That means positioning Sinn Féin as a party seeking peace, a reluctant apologist for IRA violence.

A second, linked aim is to drive the unionist community into conflict with London. A Protestant backlash against a "sell-out" to Sinn Féin/IRA would radicalise the Catholic community and advance the day when a British government washed its hands of the province.

This is what Mr O'Callaghan calls the strategy of the "long war" formulated by Messrs Adams and McGuinness during the 1980s. Politics and violence become interchangeable, depending on the circum-

O'Callaghan believes Sinn Féin/IRA has never abandoned violence. It has simply refined it to achieve maximum political impact

stances of the moment.

This is not a new analysis, but it is one for which Mr O'Callaghan can claim testimony from the lips of Mr Adams himself. Even as British officials were meeting a Sinn Féin delegation this week under the terms of Mr Blair's initiative, Mr Adams set out the IRA's position in the Irish Times.

The received wisdom has been that the last attempt at a permanent ceasefire faltered because John Major's precarious parliamentary majority left him in hock to the unionists and to critics on the Tory backbenches.

Wrong, says Mr Adams: "The difficulties arose from that government's position towards Ireland and its support for the Union. It is this which has consistently undermined London's Irish policy, not the government's majority or lack of majority, which merely influences how it implements that policy".

In other words, the IRA returned to terrorism after its 18-month ceasefire because Mr Major defended the absolute right of the majority to determine Northern Ireland's constitutional future. This, in Mr Adams's view, was to "occupy and lay claim to a part of Ireland by force".

The trouble for Mr Adams is that Mr Blair too has signed up to Mr Major's principle of consent. In his first words to the people of Northern Ireland last week, the prime minister was unequivocal. Unionists, he said, "have nothing to fear from a Labour government". It would not be a persuader for unity. And, lest any doubted his intentions, Mr Blair added that even the youngest in the audience was unlikely to see Ireland united.

So if Mr Adams is to be taken at face value, nothing had changed. There is no more reason to treat with Mr Blair than with Mr Major. If Sinn Féin/IRA were to formalise its pres-

ent, de facto ceasefire, it would be a tactical manoeuvre and not a permanent renunciation of violence.

Do not misunderstand. I believe Mr Blair was right to offer Mr Adams and his chums another chance. The nationalist community is half convinced Mr Major squandered the last opportunity. And we are entering dangerous times.

The dreadful events last summer at Drumcree in Portadown when the security forces retreated before a mob to allow the Orange Order to march in celebration of Protestant supremacy could not have been more calculated to drive peaceful nationalists into the arms of republicans. No doubt Mr Adams is hoping for a repeat performance during this year's marching season. Only the Orange Order can deny him that satisfaction.

So it was imperative that Mr Blair demonstrate that it lay in the hands of Messrs Adams and McGuinness to remove the remaining obstacles to peace. I sense, too, that the prime minister is approaching the issue with due caution. The sanguine mood in the Northern Ireland Office is well tempered by a harder realism among those who advise Mr Blair. There is a contrast between the precision of his language and the looser rhetoric of Marjorie Mowlem, the Northern Ireland secretary. Sinn Féin/IRA will not find he is a politician easily duped.

Of course, Mr O'Callaghan may be mistaken. After all, he was once about as wrong as it is possible to be. There are plenty of British officials who will tell you republicans are indeed toying with the tortuous transition from violence to politics. If that is the case, Mr Blair should respond. But he might also spare a discreet moment for someone who knows how these people think.

LETTERS TO THE EDITOR

Number One Southwark Road, London SE16 2AF

We are keen to encourage letters from readers around the world. Please send them to "Letters to the Editor", Financial Times, One Southwark Road, London SE16 2AF. A selection may be published for editorial comment.

IMF support for Mobutu left more deserving without funds

From Mr Steve Hellinger.

Sir, I noted with interest your article on May 12 regarding the siphoning off by former President Mobutu of Zaïre of International Monetary Fund funds over the past 15 years ("How Mobutu built up his \$4bn fortune").

Mobutu's corruption, including his rip-off of foreign aid, and its deleterious impact on the Zaïrian people, has for years been one of the world's worst kept secrets. So has the use of the IMF to support regimes, such as Zaïre's, that protect and promote powerful northern financial interests.

In the meantime, governments that have sought to promote the well-being of their citizenry have been denied IMF financing - and, as a consequence, virtually all the international funding - unless they adhere to IMF economic doctrine. This is indeed a scandal worthy of an FT investigation.

Steve Hellinger, president, The Development Group For Alternative Policies, 827 Fifteenth Street, N.W., 4th Floor, Washington, D.C. 20005, US

From Mr Adelewe Adedayo. Sir, Your story on attempts by Swiss authorities to trace embattled ex-

President Mobutu Sese Seko's wealth in their banks ("Swiss hunt for Mobutu family's hidden millions", May 15) makes interesting reading. We anxiously await the findings. It should be of interest to Nigeria and its impoverished nationals as well. Its fabled oil wealth is yielding interest for corrupt past and current officials in financial institutions around the world.

Who knows, Nigeria may yet be able to pay off tonnes of debts which the average Nigerian never benefited from in the first place. Our hopes lie in these banks. One hopes the investigation does not take as long as it took revelations about the Nazi war gold to surface.

Adelewe Adedayo, 4 Harold Street, South, Cardiff CF2 1PA, UK

From Mr Jack Boorman. Sir, Readers of the May 14 Financial Times should thoughtfully compare Jubilee 2000 campaigner Ann Pettifor's letter on your ex-president Mobutu report with the commentary by Tony Hawkins ("Can African economies sustain their recovery?" on sub-Saharan Africans' need for foreign private investment to overcome lagging growth rates. In the unlikely event that the campaign for official

debt forgiveness sans economic reforms were to succeed, jubilation could quickly turn to despair. While we all strongly support debt relief for the heavily indebted poor countries, it stretches credulity to assume that investors or aid donors would step up in countries lacking both sound economic management and a track record of servicing (at least) rescheduled external debt.

Jack Boorman, director, policy development and review department, International Monetary Fund, Washington DC 20431, US

From Mr Giovanni Zocchi. Sir, I must say that I stopped half-way through your piece on ex-president Mobutu. The pillaging of an impoverished country is despicable enough, but we have nothing to feel so virtuous about. Had your article appeared 10 years ago it would have prompted International Monetary Fund officials for some explanation of their dealings with Mr Mobutu's government. Written today, it has a different taste.

Giovanni Zocchi, 72A Blegdamsvej, Copenhagen 2100, Denmark

Millennium redress complex

From Mr David Strang.

Sir, Stephen Castell's letter, "Millennium computer bombers should be brought to justice" (May 13), fails to do justice to the difficulty of seeking redress against those responsible for millennium problems. Concepts such as "merchantable" or "satisfactory" quality are not easily applied to software which is not millennium-compliant while the time lapse since some non-compliant systems were installed will defeat many otherwise valid claims.

Directors have a responsibility under existing law to consider their company's position and the feasibility of taking legal proceedings to recover losses sustained due to millennium problems. This will inevitably be a complex exercise not only because of the law's uncertainty but because of the age of many systems and the number of possible targets - system designers, facilities managers, auditors etc. Only in rare cases, such as where express statements have been made as to the ability of the system to last until the new millennium, will a clear remedy be available.

David Strang, Barlow Lyde & Gilbert, 15 St Botolph Street, London EC3A 7NJ, UK

UK chancellor on horns of economic dilemma

From Mr Peter Curwen. Sir, Conventional wisdom in the UK dictates that the government extols the success of the economy while the opposition claims that there is much room for improvement. It is, therefore, that when the World Economic Forum's Global Competitiveness Report 1997 puts the UK in seventh place worldwide,

up from 15th in 1996 ("Britain seventh in world competitiveness league", May 21), the UK chancellor of the exchequer, Gordon Brown, responds by claiming that this is untrue and that he puts his faith in an alternative prosperity league, prepared by the OECD, which places Britain in 21st place. Could it be that Labour

finds itself in the embarrassing position of inheriting an economy with much less room for improvement than is usual at the time of an election, and hence must pretend to the contrary for fear that its supporters will not otherwise notice any improvement, even if this necessitates agreeing with its European partners to adopt the very practices

which caused the UK to rise above them all over the past year?

Peter Curwen, Policy Research Centre, Sheffield Business School, Sheffield Hallam University, City Campus, Unit 7, Sheffield Science Park, Sheffield S1 2LX, UK

Europa • Dominique Moïsi

Consensus of discretion

France is missing the opportunity for a debate on the EU during its election campaign



Tight-lipped: neither Alain Juppé (left) nor Lionel Jospin campaigns openly on Europe

"Bliss was it in that dawn to be alive. But to be young was very heaven." After Tony Blair's remarkable victory, some in the UK may have been tempted to think of those famous Wordsworth lines celebrating the outbreak of the French Revolution. New faces after 18 years of Tory rule, a reassuring continuity and a climate of economic recovery could evoke such sentiment.

The contrast could not be greater between the present exhilaration felt in the UK and the gloom, if not depression, exuding from France as it prepares to vote in the first ballot of early legislative elections.

Both sides of the political spectrum in France have tried to exploit Blair's victory. The conservatives in power were rightly quick to highlight the contrast between the archaism of the left in France and the modernity of the Labour programme in the UK. The French left stressed instead the victory of change, and the return of the left to power across the Channel.

But neither Alain Juppé nor Lionel Jospin is Tony Blair. In terms of physical presence and charisma, Jospin, the leader of the French Socialist party, resembles John Major more than the new prime minister of Britain. And Alain Juppé is far from having the Clinton-like charisma of a modern politician. His unpopularity, largely unmerited, is a product of his technocratic brilliance and aloofness.

If the French are depressed by the campaign and if the polls indicate the prospect of a victory for the government - although probably with a much-reduced majority - this is largely because public opinion has not yet understood why an election was necessary. The prospect of the return into government of



either Socialists or the supporters of Edouard Balladur, the former prime minister, does not excite them.

Instead, the elections run the risk of becoming simply a test of the mood of the public in order to guide the president in the choice of France's next prime minister. The return of a comfortable majority would confirm Juppé in his role, whereas a weaker majority would probably lead to a change of prime minister, chosen, of course, by Jacques Chirac, the president.

The campaign has given a strong impression of *déjà vu* and unreality. This is because Europe has largely been absent from the debate. This is in spite of the fact that the official motive given by the president to call an early election was the need to complete France's domestic political calendar before the final run-up to Euro.

The attitude to Europe of the right and left during the respective divisions over Europe - especially among the left - there is a surprising amount of consensus on the issue between the opposition and the government. But there is also a growing divergence between public opinion and the political elite: Europe and the objectives of Maastricht appear not so much negative as simply irrelevant to a growing number of French voters who do not see what Europe can offer them.

In this context it is only natural that the Socialist opposition and the Conservative majority find themselves in a game of musical chairs. They have created a

consensus of discretion, if not ambiguity, on the subject of the EU. Both camps are perfectly aware that one does not gain votes by campaigning too openly for Europe - a lesson which was applied by Blair himself in the British electoral campaign. But both camps know one can lose respect and legitimacy among one's European peers by disavowing oneself too openly from Maastricht objectives.

Philippe Séguin, president of the national assembly, has been obliged to sound more "European" than he probably is, to present himself as a credible candidate for prime minister. Chirac told Chancellor Helmut Kohl before the French public of his intention to call for early elections, a move supported by the German chancellor.

Yet Kohl is also probably convinced that if Jospin were to be the next prime minister of France in a new cohabitation formula, the attitude of Paris to Europe and the euro would not change much.

In other words, the real division on Europe is not between left and right, but between those in power and those in opposition. In the opposition, one can sound constructively critical. Once in power, all parties must express a reassuring continuity, if not conformity. Unfortunately, the cause of Europe suffers greatly from the fact that its message seems antiquated, irrelevant or, even worse, obscure.

In western Europe, the justification of the EU on the grounds of preventing a return to the bellicose past seems insufficient for most young French and Germans.

Their parents were born after the war and, for them, the absence of boundaries between the two countries has become a daily reality. If the past looks *dépassé*, the future is not defined in clear terms. European political elites are now starting to pay a price for the fact that, since the failure of the European Defence Community in 1954, they have advanced under cover on the cause of Europe, hiding political ambitions behind technical and technocratic schemes. The final incarnation of that phenomenon is the euro.

Ultimately, the question remains whether Europe will be a mere geographic "space" or an active power - the United States or the United Nations of Europe? Are the Europeans emotionally ready to stomach the reality of their own collective sovereignty, with the sacrifices of national identity this would entail?

No wonder one finds a minority of French citizens - a quarter to a third - passionately anti-European and a majority that is, at best, moderately or passively pro-European.

Once more a real debate on Europe has been missed because governments are afraid to speak openly about the subject. Instead of having the opportunity to debate democratically on Europe, the French are simply asked to help orient the president on the choice of prime minister. This is a costly - not necessarily efficient or democratic - way of restoring a "social contract" in Rousseau's sense of the term between the government and the governed.

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Friday May 23 1997

Scandals in Japan

Another day, another financial scandal in Tokyo. Nikko Securities' confession of illegal bond trading and the widening scandal at Nomura and Dai-ichi Kangyo Bank show that the system has far to go before becoming as open and transparent as its leaders say they want.

It is hard to avoid the conclusion that corruption is widespread. Three senior executives of Nomura Securities, Japan's largest stockbroker, are under arrest for alleged pay-offs to the leader of a gang of *sokaiya*, the corporate extortionists who extract bribes in exchange for keeping legitimate shareholders quiet at annual meetings. Now the government has admitted that three cabinet ministers had held so-called VIP accounts at Nomura.

For many years in Japan, a dose of corruption might be thought to have lubricated a fearfully efficient machine. During the economic revival of the 1970s, Kakuei Tanaka, the former prime minister, and other senior politicians were accepting bribes from most of the construction industry and companies in other sectors without doing much harm to the economy or to Japan's broader interests. Bribes, although deplorable, were part of a system of stable company management and government.

But the latest scandals raise wider anxieties. As Japan

becomes increasingly exposed to global markets, such scandals harm the reputation of its companies and politicians just when they want to be taken more seriously.

In the past, corporate payments to *sokaiya* helped managements to suppress demands for higher dividends and thus eased the way for reinvestment of earnings. Now, Japan's top companies seek to woo foreign shareholders, and to gain credibility in a growing number of foreign markets. Foreign competition in Japan will also increase as a result of financial deregulation.

Japanese politicians are, by contrast, less exposed to outside pressure. Whether or not Nomura's political VIP accounts were illicit, they are a reminder that the exchange of cash for political favours is still rife.

Pork barrel politics has tended to stifle political debate. That mattered less in the period of rapid growth. But now Japan's politicians face more complex choices, such as how to govern a maturing economy or to deal with instability in east Asia.

Perhaps the latest scandals will shock the system into moving towards better corporate and national governance. But, as so often in Japan, reform tends to progress at an evolutionary pace. It may not be fast enough.

Iran's election

Iranians go to the polls today to elect a successor to President Ali Akbar Hashemi Rafsanjani, providing another example of the weird mix of theocracy and democracy which so baffles western policymakers. This election, however, could start to make the Islamic revolutionary regime more like a normal state, with which its neighbours and the west can feel less uncomfortable.

The presidential election, though circumscribed to four candidates considered Islamically correct by the mullahs, is a genuine contest. Until recently it was assumed that the speaker of the *Majlis* (parliament), Ali Akbar Nateq-Nouri, would coast into office with the support of the conservative clergy and the protectionist *bazari* and, above all, the endorsement of Ayatollah Ali Khamenei, Iran's supreme spiritual guide.

But since January he has faced a growing challenge from former culture minister Mohammad Khatami. Mr Khatami, sacked in 1992 for loosening Islamist social controls, has gathered support among intellectuals, the Islamic left, women, and the young. He is also backed by businessmen and technocrats brought into government by Rafsanjani.

The conservative Nateq-Nouri remains the favourite but a second

round is likely and a Khatami victory by no means impossible. That would make Iran a less illiberal and isolationist place, but either way, a realignment of the Iranian leadership is on the cards. Rafsanjani, ineligible to stand again, will head a body called the Assembly for Diagnosing the Interests of the Regime, which looks set to absorb some of Khamenei's powers and make the outgoing president the regime's number two.

Under Rafsanjani, Iran has gradually begun paying more attention to Iran's national and economic interests than to the export of its revolution, but the fragmentation of the leadership into rival power centres still allows too much room for the adventurism that earned Iran its pariah status. This election may put an end to such factionalism, and has focused less on ideology than on material concerns like jobs and inflation, corruption and privatisation; even Mr Nateq-Nouri is beginning to sound like one of Mr Rafsanjani's technocrats.

The US and the European Union should be alert to any sign that Iran's leadership is becoming more stable and interested in economic development. That might make it possible for them to devise a system of rewards and punishments for Iranian behaviour on which the western allies can agree.

German wages

When in a hole, first stop digging. This is why the common initiative for more jobs in eastern Germany, announced yesterday by chancellor Helmut Kohl, is to be applauded. At least it shows recognition by the government, employers and trades unions that targets for east Germany in national wage agreements amount to euthanasia of its fragile economy. But this belated change of heart will not restore the battered economy to health.

That is implicit in the programme's target of an additional 100,000 jobs, to be achieved through more wage flexibility and an increase in investment and purchasing by western companies in the east. Since eastern employment has fallen from 9m to just over 6m and the number of officially unemployed is 1.3m (17.5 per cent of the labour force), this is small beer. Nor is the target likely to be achieved. Last year's plan for Germany, the alliance for jobs, failed.

A cynic would argue that Mr Kohl is only interested in the fanfare of the announcement. A more generous soul would conclude that he just places too much weight on what employers say, collectively, and too little on what is in their interest, individually.

The reality is that over 60 per cent of employers in eastern Germany have already opted for factory bargaining. Thus, the new agreement can make only a

modest difference to what is happening on the ground. The reality is also that, notwithstanding this increased flexibility, wage increases in east Germany have outstripped those in the west since unification and labour costs to manufacturing are running at some three quarters of west German levels, even though productivity per worker is little over half. Unit costs in east German manufacturing are among the highest in the world. Not surprisingly, the manufacturing sector in the new Lander is anaemic, generating only 15 per cent of its gross domestic product, while most of the subsidy-fuelled growth has been in services, particularly construction. But subsidies have stopped growing. This, in turn, has reduced overall east German growth from around 10 per cent a year in 1994 and 1995 to below 3 per cent in the year to the last quarter of 1996.

The three big policy errors have been use of most of the west's subsidies to support idleness, not work; the failure to accept that a 25 per cent increase in the German labour force necessitated an appreciation in the downward adjustment in the pan-German real wages; and, not least, the commitment to equalisation of wages between east and west. The new programme is likely only to stop eastern Germany's competitiveness from becoming deeper. It will not put the east on level ground.

Birth of Brown's brainchild

The UK government's plans for a super financial regulator may create complications, warns Peter Martin

Mr Gordon Brown, the UK's chancellor of the exchequer, has begun the process of creating a monster. Like Dr Frankenstein, his intentions are benevolent. But the monster may prove harder to control than its creator imagines.

The aspect of his proposed reform of City regulation that has attracted most attention is the plan to move responsibility for banking supervision from the Bank of England to the Securities and Investments Board. But that is to many ways the simplest task. It can be accomplished by adding a few clauses to the bill due later this summer which will give the Bank operational independence on monetary policy.

Much more complex is what follows: reform of the Financial Services Act in late 1998 or early 1999 to create the enhanced SIB. Between now and then, the financial world will be in flux.

SIB and its subsidiary regulatory agencies, which are to be merged, will undergo a sweeping reorganisation. The style of City regulation, only just stabilising after wholesale changes in the 1990s, will again be up for grabs. The result may well be a better regulatory structure. But veterans of the last set of reforms view the task of creating the system warily. Much will depend on how the Treasury's civil servants plan the details; and on how Mr Howard Davies, the chairman designate of SIB, pulls together his sprawling new empire.

Some fear the worst. "The whole concept of having it all under one roof (and the assumption that) therefore it will be easier to administer could be a monumental misconception," says a former regulator.

Three critical questions centre on the scope of the new super-SIB, its internal organisation, and the style of regulation it intends to adopt. The question of scope was not fully clarified in Mr Brown's statement this week. At present, SIB is responsible for participants in financial markets and for the managers and vendors of investment products. Its remit will now extend to supervising commercial banks. But the Treasury has yet to make clear whether SIB should also take on responsibility for regulating other financial services.

But the question of scope was not fully clarified in Mr Brown's statement this week. At present, SIB is responsible for participants in financial markets and for the managers and vendors of investment products. Its remit will now extend to supervising commercial banks. But the Treasury has yet to make clear whether SIB should also take on responsibility for regulating other financial services.

It would make sense to add those areas to super-SIB's responsibilities. Indeed, Mr Brown told parliament that "there is a strong case for bringing the regulation of banking, securities and insurance together under one roof".

But doing so would increase the size and complexity of the new regulator, rendering a difficult management task more demanding still. It would pose yet more forcefully the question

of how the new body is organised. The simplest structure for super-SIB would be to divide it into departments reflecting the different elements of the industry. Thus, there would be a banking department, based on the team brought from the Bank of England; a securities and futures department, based on the current Securities and Futures Authority; a fund management department, based on the Investment Management Regulatory Organisation; and a personal investment department, based on the present Personal Investment Authority. To these could be added a building societies department and an insurance department.

Each of these would be able to get close to the institutions it supervises. But the process of specialisation would recreate inside the new SIB the Balkanisation which is a much-criticised feature of the present system. It appears to contradict Mr Brown's principal argument for integration - the blurring of distinctions between different types of financial institution. "Firms organise and manage their businesses on a group-wide basis," he said on Tuesday. "Regulators need to look at them in a consistent way. This would bring the regulatory structure closer into line with today's increasingly integrated financial markets."

Such an approach would argue for a different organisation for super-SIB. Instead of the vertical departments now envisaged, it might be divided into three "horizontal" groups. These would address whether an institution was adequately capitalised for its business; whether it was behaving in its market dealings; and whether it was treating individual investors or depositors fairly. Each group would apply a common underlying philosophy to all institutions under its control, whether global investment banks or independent financial advisers peddling personal pensions.

The idea of a common philosophy is appealing. Sir Andrew Large, departing chairman of the current SIB, has emphasised the absence of such an approach under the current system. "The last thing investors need is for different regulators to be laying down different marketing standards for their member firms," he said this week. "I did it my way is a fine philosophy, and well adapted to poets and musicians. But it is really a sound principle for regulatory bodies?"

Yet, as one former regulator points out, there are sound reasons why the prudential ratios applied to banks are stricter than those applied to non-banks, such as insurance companies. "Banks are in the business of maturity transformation [they borrow short and lend long]," he says. "This means they require higher prudential ratios than other institutions." And because banks lie at the heart of the money transmission system, a bank crash poses economy-wide risks.

A "prudential supervision"

group at the new regulator would need to know enough about each of the businesses in its area to be able to set appropriate ratios. It would also need deep enough knowledge of each of the institutions it supervised to be able to say immediately - in the event of a run on a bank - how serious the problem was, and how it should be resolved.

"You don't get two weeks to work that sort of thing out," says one past regulator. "You don't even get two days - it might be a matter of making a decision within hours. It is intimate knowledge of individual institutions that allows you to do that."

The likely outcome, therefore, is some form of matrix structure for the new SIB: a vertical set of departments to follow individual types of business; and a horizontal set to handle standards, consistency and cross-industry issues. Designing such a structure is not easy. It is just as well that Mr Davies, to whom the task of creating the organisation will fall, has a background as a management consultant.

"If Howard Davies has the sweep of imagination to grasp some of these concepts and put them into a functioning machine, then he's a better man than I," says another former regulator.

Organisation is only a part of the task. "So much in regulation is not about structure, but about attitude and management: the 'how' of regulation; the way it is done," says Sir Andrew.

There will be a potential conflict of styles within the new SIB. The Bank of England has traditionally taken a permissive approach: it asks "why not?", says one former official, rather than "why?". Agencies such as Imro or the PIA have tended to be more prescriptive.

Mr Davies will have to decide how far his organisation will base its regulation on rules and how far on discretion. Discretion allows for more innovation; rules provide more certainty. Both approaches have their advocates. A related issue is that of striking a balance between cost and prudence. How many inspectors should there be? How heavy a capital requirement is justified by the interests of investor protection? There are any number of similar trade-offs - inspection versus self-assessment, controls on products versus controls on selling, and so on.

Even one of the style issues on which Mr Brown has made himself clear - the need to preserve "different levels of regulation for wholesale and retail business" - is not straightforward. Increasingly, retail customers buy investment products created by sophisticated market operations. The distinction between the two markets is becoming blurred.

Similar questions apply to Mr Brown's other style requirement: the need to preserve "practitioner involvement". One of London's big advantages as a financial centre, says one market official, is that it does not have to contend with the US Securities and Exchange Commission, dominated by lawyers and completely removed from the playing field. Yet the centralised SIB will inevitably offer less scope for direct involvement by market practitioners than the more devolved structure it replaces.

Still, as it forges its own regulatory style, the new SIB has an important asset: the recent shift by both the Bank and SIB towards so-called risk-based regulation and management accountability. The first of these buzzwords means assessing the risks in each individual institution, and focusing regulatory attention on the weakest. The second means forcing senior managers to take overall responsibility for



regulatory infractions in their businesses, a lesson reinforced by the Barings crash and the pensions mis-selling scandal. This new set of principles is one of Mr Davies's strongest cards. Another, as one rueful regulator points out, is that the government has given such a clear indication of what it wants there will be little scope for argument. The final, and most overwhelming advantage, is the concentrated power the new regulator will have over the UK financial system. The City half-welcomes, and fears the birth of such a behemoth. It is waiting, nervously, to discover which reaction is right.

OBSERVER

Renaissance architect

The new costume in transatlantic relations is about to be reaffirmed by the appointment to the US embassy in London of Phil Lader, an old buddy of Bill Clinton and a supreme networker from South Carolina. He had been a lawyer, college president and resort developer by the time Clinton summoned him to Washington for a series of sensitive jobs.

Lader is best known as the organiser of "renaissance weekends" - high-powered gabfests for the great, clever and good which take place behind firmly closed doors by the South Carolina coast over the New Year holiday. The Clintons are regular attendees along with a rich assortment of intellectuals, judges, governors and the occasional sportsman or comedian.

While Lader's move is an unexpected development - he had been widely tipped for the embassy in Ottawa - an even bigger surprise is that Nick Burns, the State Department's perfectly groomed chief spokesman, appears likely to be Uncle Sam's man in Athens. This might help explain why, at recent State Department

briefings, Burns has been keen to distance himself from a US government publication that described the Greek press as irresponsible and sensationalist.

Royal weed

Much huffing and puffing at Scandinavian airline SAS after it had declined - politely - a plea from Estonia's president Lennart Meri that he be allowed to light up after its in-flight smoking ban starts in September.

Meri seemed to have got the idea that Denmark's cigarette-loving Queen Margrethe, a regular SAS traveller, was exempt from the ban, and wanted the same VIP treatment, but the idea of a royal exemption had not crossed SAS executives' minds. Great was the relief when Denmark's royal palace let it be known that Queen Margrethe would remain a smokeless zone.

Trojan workhorse

Carlo Trojan, new secretary general of the European Commission, is a half-Dutch, half-Italian Mr Fixit who built his reputation on his crucial role in the backstage diplomacy surrounding German unification.

Working alongside Jacques Delors, then president of the

Commission, Trojan made sure the annexation of eastern Germany took place smoothly within the EU legal framework. His most treasured moment was stepping on to the tarmac of east Berlin's Schoenefeld airport as the first EU representative to hold official contacts with the East German authorities.

Since those heady days in 1989-90, Trojan has handled the EU's trickiest issues, including the 1995 talks on bringing Finland, Sweden, and Austria into the EU. His latest job is even more daunting: heading the "Agenda 2000" project examining the impact of eastward enlargement and advising on which central and eastern European countries are ready to open accession talks.

Vintage whine

Veteran former interior minister Charles Pasqua, who is firmly on the right of France's ruling centre-right coalition, has been attacking suggestions of an age limit for politicians.

Pasqua, a youthful 70, has been backing 66-year old fellow Gaullist Charles Ehrmann, the oldest member of the national assembly, pipping by four days the Corsican patriarch Jean-Paul de Rocca-Serra, contrasting him with "some 50-year-old politicians who in view of their lack of qualities should be

required to stand down." Surely he wasn't thinking of unpopular prime minister Alain Juppé, 51? President Jacques Chirac recently reprimanded members of his party for attacks on socialist opponents; perhaps he should have advised them not to stab their own colleagues in the back either.

Tourist trap

The World Tourism Organisation meeting in Manila could hardly have got off to a worse start yesterday, when the Taiwanese delegation announced a boycott. Apparently the Philippine tourism department had twigged that inviting Taipei was sure to upset China, which regards Taiwan as a renegade province.

China duly attacked the invitation and the Taiwanese said they were pulling out because of the fuss, complaining that the Chinese "should not have mingled politics with tourism".

Manila's relations with China are already somewhat cool after tiffs over the disputed Spratly islands and Scarborough shoal in the South China Sea. But President Fidel Ramos was his usual chirpy self when he welcomed delegates, describing tourism as "a celebration and a sharing of what we enjoy and take pride in".

Financial Times

50 years ago

Appeal For Order In France Paris, 22nd May. In the last 24 hours the situation in the provinces seems to have lost its critical character after the riots which had taken place at Dijon and Lyons, but incidents are still reported from several towns. The serious view was reflected today in the statement by M. Ramadier, the Prime Minister, in the course of his weekly Press conference, when he asked journalists to abstain from publishing sensational news which adds to the general unrest.

Italy's Search For Cabinet Italy's search for a Cabinet continues without success. Signor Orlando, a prominent Liberal, told President de Nicola this evening that he could not continue his efforts for a new Government. Italy has now been without a Government since the resignation of Signore de Gasperi (Christian Democrat) ten days ago. On Monday when it looked as if Signore Nitti, another Liberal, was going to be successful in forming a coalition Government, the Milan and Rome bourses showed a 20 per cent fall in industrials and foreign currencies, because a Government headed by Signore Nitti would have ensured a check on inflation. Now, however, all shares and currencies are rising again.

Italy clears way for Stet privatisation

By Robert Graham in Rome

The long-awaited sale of the Italian treasury's 62 per cent stake in Stet, the telecoms group, looks set to take place this autumn after more than three years of false starts.

The Italian parliament's upper house has cleared a significant hurdle to the sell-off by approving a law to set up a combined telecoms and television regulatory authority.

The law will now go to the lower house where it should be passed before the end of July thanks to a deal struck between the centre-left Prodi government and the right-wing opposition headed by Mr Silvio Berlusconi. Mediaset, the quoted television group that Mr Berlusconi controls, is likely to be one of the beneficiaries of new rules to liberalise the sector.

Until now hardliners in Reconstructed Communism (RC) have blocked the creation of a regulatory authority to

delay Stet's privatisation. RC now seems willing to drop its objections in return for guarantees that the state will retain some control through a golden share mechanism.

Mr Antonio Maccanico, the posts and telecoms minister responsible for the law, said he expected the Stet sale to go ahead as planned in the autumn - probably in late

October or early November. He also emphasised the momentous nature of the new legislation, which lays down rules on the ownership of television channels and paves the way for digital television and multimedia developments, including Stet's entry into the transmission of images.

The Prodi government originally planned to privatise Stet last autumn. Having delayed the sale, the treasury acquired

the 62 per cent stake in Stet from IRI, the state holding company, for L14,500bn. It proceeded to merge Stet with Telecom Italia, its main operating company. The merger will be complete by mid-July.

Treasury officials have warned that failure to privatise Stet this year would almost certainly oblige them to separate Telecom Mobile Italia (Tm), the quoted mobile phone subsidiary, from the group and sell it on its own. This is because the treasury needs to recoup funds paid to IRI to purchase its Stet shares.

Yesterday Mediaset cautiously welcomed the outcome of more than two-and-a-half years of acrimonious political debate, set in motion by a 1994 constitutional court decision that threatened to remove at least one station and cut advertising revenues.

Mediaset will retain three terrestrial channels at least until mid-1998 and will then be able to switch one to satellite.

Dispute on plans to float Formula One racing

By John Griffiths in London

The planned flotation in July of the Formula One motor racing business became the subject of further dispute yesterday when it became clear that three leading teams were still fighting for changes in the terms of the flotation to give them a bigger stake.

While City of London insiders close to the three teams insisted yesterday the dispute could delay the flotation, advisers to F1 promoter Mr Bernie Ecclestone were dismissing their opposition as "irrelevant", insisting that the teams had no formal claims to a shareholding in Formula One Holdings, the company into which F1's commercial activities are being grouped for the flotation.

The draft prospectus is expected to be sent to the London Stock Exchange in the next week or so, with publication due around the middle of July. A syndicate of underwriters has been formed for the flotation, including Mr Ecclestone's investment bank advisers Salomon Brothers, Warburg, Morgan Stanley, Merrill Lynch, BZW and NatWest.

Last week, Mr Ecclestone and Salomon Brothers indicated to City analysts that no substantial obstacles remained to the flotation proceedings, implying also that an accord had been reached with reigning world champions Williams, McLaren International and the Tyrrell team.

The prospectus for the flotation is expected to value F1 at \$2.4bn-\$3.2bn. Under the broad outline given to analysts, about 50 per cent of Formula One Holdings, a new company grouping all F1-related commercial activities controlled by Mr Ecclestone, would be floated with the public, with all of the proceeds going to him.

The governing body of motor sport, the FIA, would be allocated 10 per cent and the top 10 teams collectively 10 per cent. The other 30 per cent would be retained by Mr Ecclestone, who is president of the Formula One Constructors Association.

The dissident teams are maintaining that the 10 per cent is not enough, and are also arguing for a larger share of the TV royalties which make up a large part of Formula One's revenues. The flotation promoters maintain, however, that there are no formal provisions under the agreement governing relationships and revenue-sharing among the teams and promoters.

However, there seemed little prospect of any early agreement yesterday.

THE LEX COLUMN

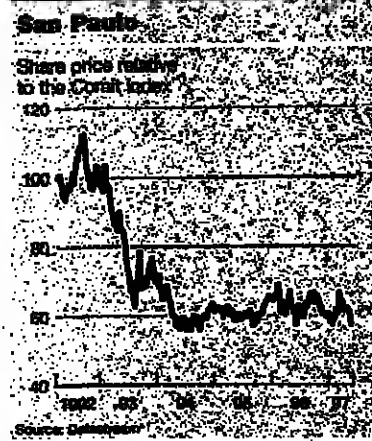
Kohld comfort

For the second time in 12 months, Chancellor Helmut Kohl has called on government, business and the trade unions to work together to boost jobs and productivity - this time in eastern Germany. But this particular horse bolted long ago. Eastern Germany priced itself out of the market in the early years after unification, when the politicians - led by Mr Kohl - gave in to popular demands for wage equality with the west, even though eastern productivity remained far behind. As a result, while absolute wages are still somewhat lower than in western Germany, unit labour costs are at least a third higher and unemployment a crippling 17 per cent.

Even worse, the government's top-sided subsidies favoured the service sector to the point where little of eastern Germany's manufacturing base has survived. That remained hidden while government transfers of DM150bn (\$87bn) a year fuelled a housing and consumer boom. But now that those transfers have stopped expanding, so has the eastern economy - this year it is expected to grow more slowly than the west for the first time since unification.

Will Mr Kohl's belated call for action do any good? The idea of loosening national collective bargaining is sensible. But it just mirrors changes on the ground: nearly two-thirds of east German employers already set pay locally to cut wage costs. If he really wants to make a difference, Mr Kohl should extend his reforms to the ossified labour market in the west.

FTSE Eurotrack 200: 2383.5 (+2.8)



These points are hardly likely to escape the MMC. And its previous conclusions on a similar case - National Express' acquisition of Midland Mainline - were strikingly soft. So getting the MMC to look at these latest deals will almost certainly prove pointless. Mrs Beckett gets to look tough, at no practical cost other than a tedious summer for the company.

The real mystery lies in the stock market's overreaction. Even in the very worst case - that National Express is deprived of both franchises - yesterday's 5% per cent drop in the shares would not be justified. This speaks volumes about investors' ill-defined jumpiness over Labour and regulation.

Granada

Granada is taking a pot shot at fashion by opting to hold together such disparate businesses as television, TV rentals and hotels in a single company. And its defence looks reasonable. A demerger would destroy short-term value, through restructuring costs and a less efficient tax and debt structure. Yet it is hard to spot divisions that are suffering under the unwieldy yoke of its corporate structure. In rentals, catering and motorway service stations, Granada achieves higher margins than its competitors. And all its operations have a high degree of autonomy, with top management setting exacting targets and corresponding rewards.

Nor is there a compelling valuation argument for splitting the media and leisure businesses. The mature rentals business would depress the rating of either company. And since it generates around £10m (\$17m) of profits but would fetch only £700m or so, a disposal would substantially dilute earnings and cashflow. Granada's discount to break-up value could be narrowed by selling more non-core businesses - or even Meridian hotels - and providing a clearer vision of the value that can be created from building up the media business.

Over time, a break-up is likely to become a more persuasive option, given the absence of synergies between the two halves. And Granada needs to ensure that it has a structure which will facilitate such a move. But Hanson has demonstrated that demergers do not automatically create shareholder value.

Additional Lex on Storehouse, Page 30

Row threat to summit

Continued from Page 1

anti-dumping duties on unbleached cotton from China, Egypt, India, Indonesia, Pakistan and Turkey into definitive penalties.

Sir Leon Brittan, EU trade commissioner, initially proposed imposing penalties for five years, with a review clause but the measures were blocked.

A Commission compromise emerged - after contacts between Brussels, Bonn and Paris - to impose duties for one year only.

But the free-trade-minded German economics ministry intervened to instruct the German representative to vote against the compromise, thus killing it.

"The result was pandemonium in Paris," said one Commission official. Officials in Brussels confirmed that President Chirac raised the matter with Chancellor Helmut Kohl of Germany at this week's bilateral summit, in an attempt to reverse the vote.

Airline deal

Continued from Page 1

preliminary recommendation from the British Office of Fair Trading that BA-AA should cede 168 slots as inadequate.

Other concerns focused on the effect of combining the two airlines' frequent flyer programmes and computer reservation systems.

Mrs Beckett is awaiting a report from the director-general of fair trading before deciding whether the deal can go ahead.

Yeltsin removes his defence chiefs in bid to speed reform

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, yesterday fired the country's two top defence chiefs, saying he was "indignant" over the state of the armed forces and wanted speedier reforms.

In another reassertion of his authority, Mr Yeltsin sacked Mr Igor Rodionov, defence minister, and General Victor Samsonov, head of the general staff, saying they were doing nothing to implement improvements to the military.

Mr Yeltsin was said to be so incensed by information he received about the army's failure to introduce reforms that he sacked both men on the spot during a defence council meeting.

"I have a very low assessment of your work in this direction. I am not satisfied and I must make the obvious conclusions," he said as he dismissed them.

Mr Yeltsin has demanded that the conscript army of 1.7m should be transformed into a smaller professional force by the end of the decade. The general staff has argued that this is impossible without additional funds.

But the president, who has been politically rejuvenated since recovering from a heart bypass operation last year, attacked what he described as the corruption corroding the top brass, which has resulted in generals living in luxury while conscripts starved.

"We have reached the point

when we are short of spoons and plates but the number of servicemen and the number of generals is stubbornly not being cut," Mr Yeltsin said.

The removal of the two men appears to be a victory for the reformist wing of the government, which has been trying to exert more control over the military spends its budget.

Significantly, three prominent reformers, including the two first deputy prime ministers, Mr Anatoly Chubais and Mr Boris Nemtsov, were yesterday appointed to the defence council, which oversees military reform.

General Igor Sergeev, the commander of the strategic rocket forces, was appointed as acting defence minister, but is not expected to hold the job for long.

General Victor Chechevov, commander of the far eastern military district, now heads the general staff.

Mr Sergei Yushenkov, a liberal MP who has long argued for greater civilian control over the military, welcomed the dismissal of Mr Rodionov, suggesting that the much-needed reforms might now get under way.

But nationalist politicians reacted angrily to the sacking of Mr Rodionov, who had only been in the job since last July.

Mr Alexander Lebed, the former secretary of the security council, who strongly backed Mr Rodionov's appointment as defence minister, said the dismissals were unjustified and would hinder reform.

FT WEATHER GUIDE

Europe today

Eastern parts of the British Isles and the Benelux will be cloudy with outbreaks of sun. The UK will also be cloudy in the west, with occasional showers. Sunny spells are expected in north France and south Germany, but light rain is also likely. South France and most of Spain will be cloudy and dry, but west Spain and Portugal will have rain and thundery showers. Showers are also expected in the Alpine countries. North Italy will be dry with sunny periods, while south Italy and Greece will be fine. The Balkans will be cloudy with outbreaks of sun.

Five-day forecast

High pressure will keep plenty of sun in the British Isles. Low pressure over the Atlantic will bring more rain and thundery showers to the Iberian peninsula, but it is not expected to move further into Europe.

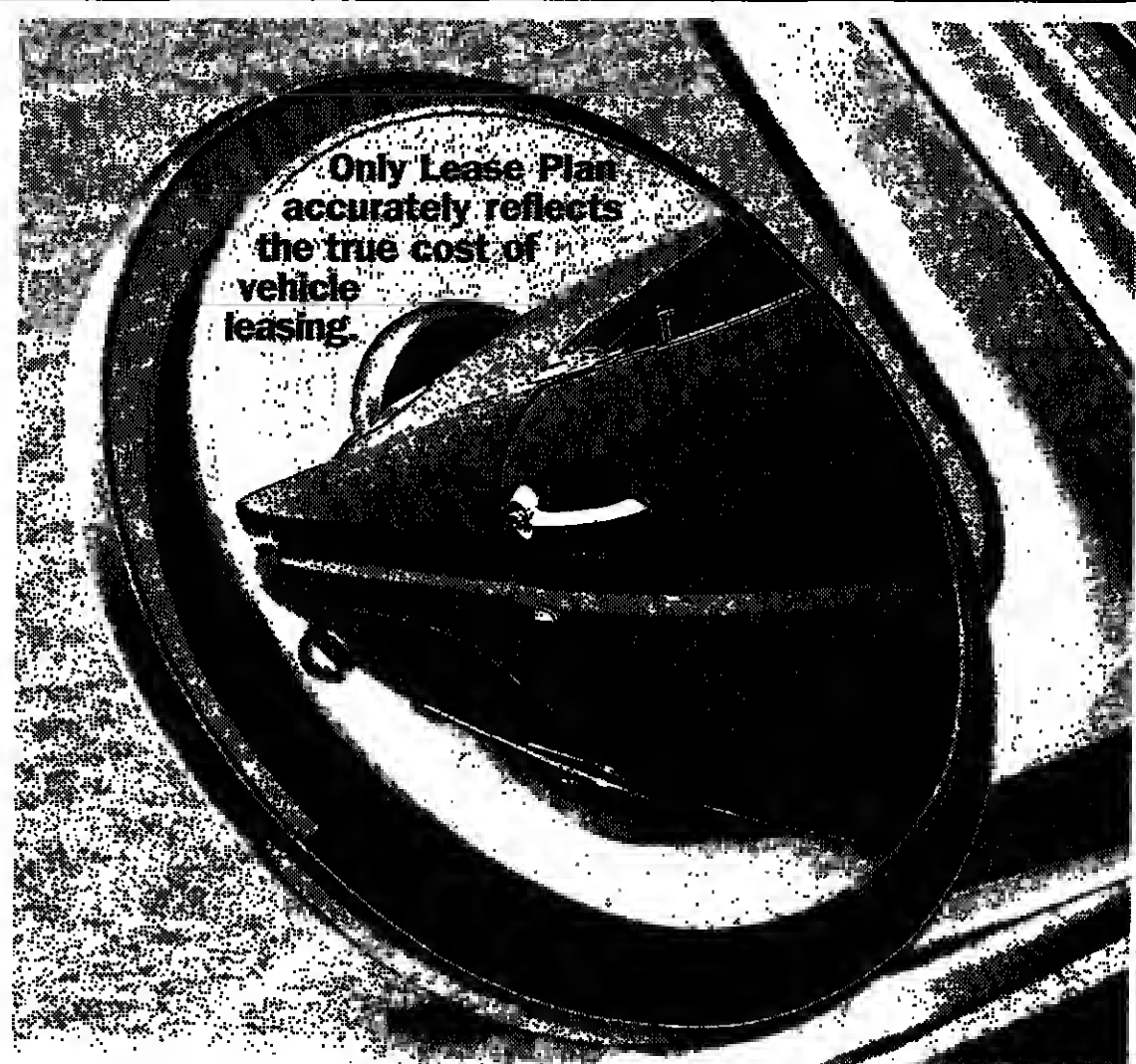
TODAY'S TEMPERATURES

Location	Max	Min
Abu Dhabi	31	24
Adelaide	28	18
Amman	28	18
Amsterdam	14	10
Athens	28	18
Atlanta	28	18
Bahia	28	18
Bangkok	36	26
Barcelona	22	12
Belfast	14	10
Berlin	14	10
Bombay	28	18
Buenos Aires	28	18
Calcutta	31	21
Cairo	31	21
Cape Town	22	12
Cardiff	14	10
Cebu	28	18
Chengdu	28	18
Chicago	28	18
Colombo	28	18
Dakar	28	18
Dallas	28	18
Delhi	31	21
Dubai	31	21
Dublin	14	10
Durham	14	10
Edinburgh	14	10
Faro	28	18
Frankfurt	14	10
Geneva	14	10
Gibraltar	28	18
Glasgow	14	10
Hamburg	14	10
Helsinki	14	10
Hong Kong	28	18
Honolulu	28	18
Istanbul	28	18
Jakarta	31	21
Jersey	14	10
Karachi	28	18
Kuala Lumpur	28	18
L.A. Angeles	28	18
Lebanon	28	18
Lima	28	18
Lisbon	28	18
London	14	10
Luxembourg	14	10
Lyon	14	10
Madrid	28	18
Manchester	14	10
Malaga	28	18
Marseille	14	10
Medan	28	18
Meppen	14	10
Mexico City	28	18
Miami	28	18
Montreal	14	10
Moscow	14	10
Munich	14	10
Nairobi	28	18
Naples	14	10
Nassau	28	18
New York	28	18
Nicosia	28	18
Osaka	28	18
Paris	14	10
Perth	28	18
Prague	14	10
Rangoon	28	18
Riyadh	28	18
Rome	28	18
S. Francisco	28	18
Seoul	28	18
Singapore	28	18
Stockholm	14	10
Strasbourg	14	10
Sydney	28	18
Taipei	28	18
Tel Aviv	28	18
Tokyo	28	18
Toronto	14	10
Vancouver	14	10
Venice	14	10
Vienna	14	10
Warsaw	14	10
Washington	14	10
Wellington	14	10
Winnipeg	14	10
Zurich	14	10

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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INTERNATIONAL CAPITAL MARKETS

There is a consensus that any setback will not hold back the growth of capital markets, says Richard Lapper

Bull run falters as rates sting hurts

The bankers, fund managers and traders who make their living in the world's capital markets have enjoyed a good run over the past 18 months. A combination of tight fiscal policy and relatively loose monetary conditions in the developed world has helped create ample liquidity, ensuring a strong flow of funds into bond and equity markets.

And, although interest rates in some economies are now expected to rise - following a quarter of a percentage point rise in the US Federal Reserve's short-term rate in March - any negative impact of monetary tightening should be offset by long-term trends such as privatisation, deregulation and rapid technological change which are dampening underlying inflationary pressure and ensuring continued growth in the demand for, and supply of, securities.

"The economic cycle has been running in favour of capital markets," says Mr Paul Aberley, head of fixed income at Lombard Odier, the London-based fund manager. "The cycle will now change but structural changes are reducing inflation and that should work for the markets."

Last year net issuance of international bonds increased to \$512.4bn, compared with \$313bn in 1995. And the pattern has continued this year, with gross issuance rising by almost 10 per cent to \$204.3bn in the first quarter, according to figures from Capital Data Bondware. New issues of shares on international markets rose even more strongly, with the supply of

stock fuelled by growing enthusiasm for privatisation, especially in Europe, where investors flocked to buy equities in companies such as Deutsche Telekom and Italy's ENI.

If international secondary offers and bought deals are included, overall issuance climbed by more than 65 per cent to some \$31.4bn, its highest annual level, compared with \$32.8bn in 1995. Abundant funds have also been available on the syndicated loan market, where banks have been flush with cash and eager to lend. Loan volume reached \$523.7bn in 1996, an increase of 69 per cent on the 1995 figure, according to figures published by the Bank for International Settlements.

Secondary stock and bond markets were knocked by the US interest rate action in March, but share prices are still either at or near their all-time highs. Yields in the main government bond markets are still close to their historic lows and their decline has led many institutional investors to target markets offering higher returns. In Europe, governments - such as Italy and Spain - which have reduced inflation and debt levels in line with efforts to meet the Maastricht criteria for European economic and monetary union (Emu), have been notable beneficiaries of this "hunt for yield", as the yield on Italian 10-year bonds fell from 10.7 per cent at the beginning of 1996 to 7.2 per cent in mid-May this year.

In addition, institutional interest in other classes of assets, such as US speculative grade corporate debt

and bonds issued by borrowers from Latin America, eastern Europe and Asia, has also grown strongly.

In 1996, emerging market borrowers raised more than three times more money on the bond markets than in the previous year, with net issuance rising to \$33.2bn, compared with \$28.3bn in 1995, according to figures published by the Bank for International Settlements. Dealers in the euromarkets have seen a string of borrowers either coming to the market for the first time or returning after long absences. Borrowers such as Argentina and Mexico have been able to issue bonds with 20- and 30-year maturities, while in the past 12 months the market has seen Russia issue its first bonds since the 1917 Revolution.

International investors are for the first time beginning to buy debt denominated in Russian roubles, Philippine pesos and other local emerging market currencies. This pattern has been repeated in the syndicated loan market, where some eastern European borrowers are able to obtain funds at rates only fractionally more expensive than those available to the most creditworthy European and US companies.

The hunt for higher yield by investors and banks has also spurred interest in structured financial deals and project finance. Securitisation - the conversion of pools of assets or cash flows into tradeable instruments - is a growth area for investment banks with 34 per cent of all net international bond issues structured as asset-backed securities during

1996. Banks are keener to lend money to projects such as power stations and roads, but the backers of such infrastructure projects have also been able to raise more money on the capital markets, especially from US insurance companies and other institutions.

However, a shift in the world's monetary climate could begin to curb this enthusiasm for yield and risk. Certainly, as quicker economic growth in a number of countries revives concerns about rising labour costs and higher commodity prices, interest rate rises will be on the agenda. Following the Fed's increase in the key short-term interest rate at the end of March, further monetary tightening by the US authorities is likely. Ana-

lysts at CrossBorder Capital, the investment advisers, reported this month that 56 per cent of the world's central banks were currently running loose monetary policies, compared with a recent peak of 60 per cent. In Europe, the new UK government increased interest rates earlier this month and, while rises are not immediately expected elsewhere, most analysts accept that in the core European economies - grouped around Germany and France - rates have bottomed out.

Already there have been some signs that the prospect of further tightening has had an impact on the capital markets. In the secondary markets, US and European equity prices dipped sharply in early April. In the same

month the issue of new international equity fell to \$3.5bn compared with \$4.2bn in the same month of the previous year.

And although issuance in the primary bond markets is showing little sign of any let-up, dealers report that investors are beginning to take a more defensive approach and are favouring shorter-dated and floating rate issues. A rise in Japanese rates could have particularly damaging consequences, because capital flows from Japan - though some way below their peak of the late 1980s - have contributed heavily to the rise in investor demand for shares and bonds. With yields in the Japanese market at historically low levels, both institutional and retail

investors have been more prepared to shift money overseas. In addition, many professional international investors, who have borrowed heavily at low Japanese rates in order to invest in US and European markets, could be forced to unwind their positions.

However, bankers expect the downturn to be milder than in 1994, when Fed rate rises led to a rout in global bond markets. This is partly because investors have been more careful about the use of derivatives to gear up their exposures. And, there is a widespread consensus that any setback will not hold back the growth of the market stemming from secular economic and social changes.

Mr Michael Hughes, global

strategist at BZW, the investment banking arm of Barclays Bank, says that the introduction of new technologies in the US is increasing productivity in many industries and leading to a gradual shift in the long-term outlook for inflation. "The jury is still out about whether there has been a structural change in the US, but consumer price inflation has certainly been far less of a problem than many people expected a year ago."

"Liberalisation is keeping inflation in check. Although there will be corrections and periods when the markets get carried away these will be mere blips when judged against the long-term trend," adds Mr Mark Cliffe, chief international economist at HSBC Markets in London.



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FOR SMALL BUSINESS
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DM 350,000,000
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as Joint Bookrunner

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(GUARANTEED BY JAPAN)
5.875%
2003
DM 150,000,000
Bank of Tokyo-Mitsubishi (Deutschland) A.G.
as Joint Bookrunner

THE CITY OF YOKOHAMA
(GUARANTEED BY JAPAN)
7.00%
2006
US\$ 200,000,000
Tokyo-Mitsubishi International plc
as Lead Manager

TRANS-TOKYO BAY INFRASTRUCTURE
CORPORATION
(GUARANTEED BY JAPAN)
6.675%
2006
US\$ 200,000,000
Tokyo-Mitsubishi International plc
as Lead Manager

INTERNATIONAL FINANCE
CORPORATION
6.805%
1999
HK\$ 1,000,000,000
Tokyo-Mitsubishi International (HK) Limited
as Co-ordinator/Arranger/Joint Bookrunner

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
6.70%
1997
YEN 1,000,000,000
Tokyo-Mitsubishi International plc
as Lead Manager

INCOM INTERNATIONAL LTD.
(GUARANTEED BY JAPAN)
0.875% Notes with warrants
2001
SF 59,750,000
Bank of Tokyo-Mitsubishi (Switzerland) Ltd.
as Lead Manager

NETO INTERNATIONAL LTD.
(GUARANTEED BY JAPAN)
0.50% Notes with warrants
2000
SF 47,000,000
Bank of Tokyo-Mitsubishi (Switzerland) Ltd.
as Lead Manager

NETO INTERNATIONAL LTD.
(GUARANTEED BY JAPAN)
2.20%
2004
YEN 10,000,000,000
Tokyo-Mitsubishi Securities Co., Ltd.
as Lead Manager

NETO INTERNATIONAL LTD.
(GUARANTEED BY JAPAN)
1.90%
2001
YEN 30,000,000,000
Tokyo-Mitsubishi Securities Co., Ltd.
as Lead Manager

NETO INTERNATIONAL LTD.
(GUARANTEED BY JAPAN)
2.75%/4.25%
2003
YEN 10,000,000,000
Tokyo-Mitsubishi Securities Co., Ltd.
as Lead Manager

AB SPINTAS
2.60%
2001
YEN 13,000,000,000
Tokyo-Mitsubishi International plc
as Lead Manager

CHINA MERCHANTS BANK
6M/S LIBOR+0.65%
2001
US\$ 100,000,000
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as Arranger/Joint Bookrunner

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DEVELOPMENT FUND
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YEN 11,900,000,000
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as Lead Manager

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6.70%
1998
YEN 10,000,000,000
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as Lead Manager

NORDDEUTSCHE LANDESBANK
6.00%
2000
US\$ 200,000,000
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P.T. ENERVAL PUTERA MERATINDING
SYNDICATED LOAN FACILITY
3 YEARS
US\$ 40,000,000
Tokyo-Mitsubishi International (Singapore) Ltd.
as Arranger

BRITISH AIRWAYS PLC
AIRCRAFT FINANCE
15 YEARS
US\$ 2,500,000,000
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London Branch
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MOL MARYAL OLAJ-ES GAZPARI RT
SYNDICATED LOAN FACILITY
7 YEARS
US\$ 500,000,000
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London Branch
as Arranger

NOVO NORDISK A/S
REVOLVING CREDIT FACILITY
7 YEARS
US\$ 600,000,000
The Bank of Tokyo-Mitsubishi Ltd.
London Branch
as Arranger

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SYNDICATED LIQUIDITY FACILITY
364 DAYS
US\$ 250,000,000
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as Agent

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CORPORATION
SYNDICATED LIQUIDITY FACILITY
364 DAYS
US\$ 518,000,000
Bank of Tokyo-Mitsubishi Trust Company
as Agent

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SYNDICATED LOAN FACILITY
5 YEARS
US\$ 445,000,000
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New York Branch
as Administrative Agent

THE UNITED MEXICAN STATES
SYNDICATED FRN/LOAN FACILITY
5 YEARS
US\$ 6,000,000,000
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New York Branch
as Senior Co-Lead Manager

THE INDUSTRIAL FINANCE
CORPORATION OF INDIA LIMITED
SYNDICATED TERM LOAN FACILITY
5 YEARS
US\$ 100,000,000
The Bank of Tokyo-Mitsubishi Ltd.
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2 INTERNATIONAL CAPITAL MARKETS

GOVERNMENT BOND MARKETS • by Michael Lindemann

Opportunity knocks less often

Spreads are likely to decline as Emu nears and become virtually flat at take-off in 1999

During 1996, European convergence trades offered investors some of the best returns available from any market in the world.

Yields on Italian bonds fell from around 10.71 per cent at the beginning of January to 7.59 per cent on December 30. Spanish bonds declined from about 9.57 per cent to 6.86 per cent over the same period.

Changes of that magnitude, however, suggest that in 1997 convergence trades will not offer the type of opportunities that were available last year.

"Most of the ground has been covered," says Mr Adam Chester, international bond strategist at Yamachi International, "although there are still some opportunities in Italy, Spain and Portugal."

The table suggests that spreads will decline

gradually as European economic and monetary union (Emu) nears and will flatten once it takes off on January 1, 1999.

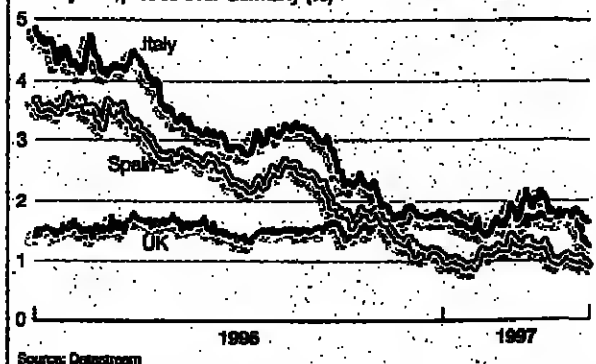
Whatever spreads persist after that are likely to be determined by several factors including the credit rating of the various participating countries, the liquidity of the bonds and whether or not they have benchmark status, Yamachi says.

However, with analysts suggesting that convergence for Italian and Spanish bond markets is closer, several other countries are now seeking convergence opportunities.

One such country is the UK after the Labour party's election victory. Virtual independence for the Bank of England and a more constructive approach to Europe by the Labour government have sparked speculation among bond market analysts that the UK might make it into Emu before 2002, the earliest entry date suggested by Mr Robin Cook, the UK's new foreign secretary.

Government bonds

Bond yield spreads over Germany (%)



Source: Datastream

More intriguing were comments by Mr Gordon Brown, the UK chancellor of the exchequer, during his first post-election visit to Brussels. He suggested sterling did not need to be in the exchange rate mechanism for two years before becoming a fully-fledged member of the single currency.

Although Mr Theo Waigel, Germany's finance minister, quickly dismissed Mr Brown's comments, their meaning, analysts said, suggested that the UK was

regarded as a much more likely first-wave Emu candidate than it had been a month ago.

As a result, Mr Huw Roberts, European bond strategist at NatWest Markets, suggests the gilt/bund yield spread - which has tumbled from 184 basis points to around 138 basis points over the past month - will fall to around 120 basis points by year-end.

Mr Julian Jessop, chief European economist at Nikko Securities, suggests it could tighten further still.

He forecast a spread of 100 basis points by December. "It's a trade that has further to run," he says.

Although many bond strategists agree that much progress has been made on Spanish and Italian convergence, opinions remain mixed about their fates.

What seems increasingly clear, Mr Roberts points out, is that the two countries cannot now be lumped together in the basket in which they were in last year. While both have made "dramatic improvements" in terms of meeting the economic criteria needed for Emu, Mr Roberts argues that Spain is definitely the front-runner for single currency membership.

"There is now an expectation that Spain will definitely make it whereas in Italy it is very much a political decision," he said. "It's very difficult to get bulled up about ongoing convergence trades."

One bond trader underlines the progress Spain has made. "If you look at the five-year spread in

five years' time it's just 38 basis points," she said. "Essentially, Spain has converged."

Not all are so optimistic. Mr Jessop argues that Italy will "certainly" be excluded from the first wave of Emu and Spain "probably". As a result, fiscal discipline in both countries is likely to slip and the yield spreads over bunds could widen again.

Ms Sharda Persaud, senior economist at San Paolo Bank, is more confident about Italy's prospects. She argues that "the market is underestimating the chance of Italy being in the single currency in the first wave". As a result, the BTP/bund yield spread, currently at around 160 basis points, is likely to fall to around 130 basis points by the year-end.

"There is a tremendous amount of government determination. What is more the Italian public are among the most pro-Emu anywhere in Europe," adds Ms Persaud.

And, she says, if Italy's entry is delayed it may be only for a period of between

Post-Emu spread and rating expectations

Country	Rating	Spread (bp)	Rating	Normal spread (bp)
Germany	Aaa	-	Aaa	-
France	Aaa	-	Aaa	-10/15
Spain	Aaa	-	Aaa	-10/15
Austria	Aaa	-	Aaa	-10/15
Netherlands	Aaa	-	Aaa	-10/15
Finland	Aaa	-	Aaa	-10/15
Sweden	Aaa	-	Aaa	-10/15
Ireland	Aaa	-	Aaa	-10/15
UK	Aaa	-	Aaa	-10/15
Italy	Aaa	-	Aaa	-10/15
Portugal	Aaa	-	Aaa	-10/15
Greece	Aaa	-	Aaa	-10/15
Belgium	Aaa	-	Aaa	-10/15
Denmark	Aaa	-	Aaa	-10/15
Switzerland	Aaa	-	Aaa	-10/15
Japan	Aaa	-	Aaa	-10/15
USA	Aaa	-	Aaa	-10/15
Canada	Aaa	-	Aaa	-10/15
South Korea	Aaa	-	Aaa	-10/15
China	Aaa	-	Aaa	-10/15
India	Aaa	-	Aaa	-10/15
Brazil	Aaa	-	Aaa	-10/15
Argentina	Aaa	-	Aaa	-10/15
Colombia	Aaa	-	Aaa	-10/15
Venezuela	Aaa	-	Aaa	-10/15
Chile	Aaa	-	Aaa	-10/15
Peru	Aaa	-	Aaa	-10/15
Ecuador	Aaa	-	Aaa	-10/15
Bolivia	Aaa	-	Aaa	-10/15
Paraguay	Aaa	-	Aaa	-10/15
Uruguay	Aaa	-	Aaa	-10/15
Costa Rica	Aaa	-	Aaa	-10/15
Panama	Aaa	-	Aaa	-10/15
Dominican Republic	Aaa	-	Aaa	-10/15
Honduras	Aaa	-	Aaa	-10/15
El Salvador	Aaa	-	Aaa	-10/15
Nicaragua	Aaa	-	Aaa	-10/15
Guatemala	Aaa	-	Aaa	-10/15
Belize	Aaa	-	Aaa	-10/15
Jamaica	Aaa	-	Aaa	-10/15
Trinidad and Tobago	Aaa	-	Aaa	-10/15
Suriname	Aaa	-	Aaa	-10/15
Guyana	Aaa	-	Aaa	-10/15
Paraguay	Aaa	-	Aaa	-10/15
Uruguay	Aaa	-	Aaa	-10/15
Costa Rica	Aaa	-	Aaa	-10/15
Panama	Aaa	-	Aaa	-10/15
Dominican Republic	Aaa	-	Aaa	-10/15
Honduras	Aaa	-	Aaa	-10/15
El Salvador	Aaa	-	Aaa	-10/15
Nicaragua	Aaa	-	Aaa	-10/15
Guatemala	Aaa	-	Aaa	-10/15
Belize	Aaa	-	Aaa	-10/15
Jamaica	Aaa	-	Aaa	-10/15
Trinidad and Tobago	Aaa	-	Aaa	-10/15
Suriname	Aaa	-	Aaa	-10/15
Guyana	Aaa	-	Aaa	-10/15

six months and one year.

"Even if Italy enters in only a year that is still fairly positive for the market. There is still good news to be priced in."

Further evidence of Italy's chances have been trickling out of the recent talks between Mr Helmut Kohl, Germany's chancellor, and Mr Romano Prodi, Italy's prime minister.

Indications are, Ms Persaud says, that Germany is concerned only that Italy should start tackling its structural problems such as pension reform to ensure that the progress it has made recently is sustainable. "The Germans are not that worried about Italy's Maastricht indicators

themselves," she says.

If there is some chance that convergence trades are still alive in Italy and Spain, analysts also point out that other markets beyond western Europe offer even better prospects.

Greece, which currently has a yield of around 8.5 per cent, is regarded as one of the next convergence candidates as are markets in eastern Europe where many financial institutions are rushing to set up offices.

"Those are becoming the high-yielding markets," says Mr Chester of Yamachi, "and are likely to provide many of the alternative investment vehicles for which investors are already looking."

SYNDICATED LOANS • by Edward Luce

Spreads have a one-way ticket

High liquidity and tough competition will ensure that margins remain tight

Syndicate loan managers are not having an easy time. After three years of increasingly fierce competition, margins on loans have been cut closer to the bone than most managers expected.

Spreads on loans to emerging market banks and sub-investment grade European companies have been compressed to unheard-of lows. Commonsense would suggest a market change of direction. Yet - for the most part - the trend appears to be stubbornly one-way.

"It's a bit like the UK mortgage market," explained one syndicate loan manager in London. "When interest rates go up, your mortgage goes up immediately. But when they fall it takes ages for your mortgage to respond. Syndicated loans are the same except it's the other way round."

Despite the recent rise in US interest rates, syndicated loan managers are not expecting spreads in the syndicated loan market to rise

in sympathy. High levels of liquidity and tough competition for new business will ensure that margins remain tight. Only a recession or a dramatic failure would haul margins back to "reasonable levels" they say.

Mr Grant Johnson, head of syndicated loans at NatWest Markets in London, said that prices have compressed dramatically in the last two years: "The price differential between top investment grade and second tier borrowers in Europe is not as great as it should be," he said.

With spreads on Czech and Hungarian loans tightening by more than 150 basis points in the past 18 months, officials make the same point about most emerging market borrowers.

On a recent \$350m loan arranged by BZW, Dresdner and UBS, Commerzbank - the largest commercial bank in the Czech Republic - negotiated a spread of just 20 basis points over Libor for the first three years of the loan. This reduced Commerzbank's cost of borrowing to within a few basis points of the most highly-rated European corporations. Yet just two years ago the same bank was paying a

margin of more than 100 basis points on its syndicated debt.

Mr Graham Franklin, head of syndicated loans at Sanwa International in London, says that the trend is spreading to other emerging markets. Although the business generated by emerging market borrowers amounts to a small fraction of the total euromarket pie, competition tends to be hotter. This is because banks are keen to win mandates in the newer markets where there are fewer sentiments about relationship banking.

"In the Baltic republics we've seen spreads fall by more than 100 basis points in the last year," said Mr Franklin. "Not a great deal has altered in terms of credit risk, currency stability or in the economy to justify such a big movement. Most of it is down to the growing intensity of the competition."

In South Africa, where Standard Bank recently negotiated to pay 20 basis points over Libor for a \$250m one-year loan, lenders believe that the nadir has been reached.

Only in the less established emerging markets, such as Russia, Romania and Pakistan, can bankers nego-

International syndicated credit facilities (\$bn)

Announced, by nationality of borrower

Country	1994	1995	1996	Country	1994	1995	1996
Developed countries	200.2	249.5	449.6	Eastern Europe	2.2	4.5	6.8
Austria	0.2	0.1	-	Bulgaria	-	-	-
Australia	8.0	5.8	12.2	Czechoslovakia	0.6	1.0	2.8
Belgium	0.4	0.9	0.2	Hungary	0.6	1.3	1.2
Canada	16.0	11.9	10.7	Poland	0.7	0.5	0.3
Cyprus	0.2	-	-	Slovakia	0.1	1.5	2.2
Denmark	0.8	1.2	0.3	Other	0.1	0.1	0.3
Finland	0.6	3.3	5.8	Developing countries	35.2	40.0	53.0
France	6.2	12.2	16.0	Latin America	4.6	5.0	6.5
Germany	1.4	13.0	6.7	Argentina	1.7	1.4	1.3
Greece	2.4	1.5	1.6	Brazil	0.8	0.1	0.1
Ireland	0.1	0.5	-	Chile	0.2	1.0	2.5
Italy	3.2	2.8	1.7	Colombia	0.3	0.5	0.8
Japan	1.3	0.7	2.5	Mexico	1.4	1.9	1.6
Luxembourg	-	1.0	0.9	Trinidad/Tobago	-	-	-
Netherlands	8.3	4.4	5.2	Venezuela	0.2	-	0.1
New Zealand	1.1	1.4	0.4	Middle East	0.2	0.9	2.3
Norway	5.6	7.1	2.8	Israel	-	0.1	0.9
Portugal	2.2	2.9	-	Kuwait	-	-	1.2
South Africa	0.5	1.7	3.1	Saudi Arabia	0.2	0.8	0.3
Spain	15.0	13.7	4.7	Africa	-	-	-
Sweden	13.4	10.5	6.3	Algeria	-	-	-
Switzerland	3.3	2.5	1.8	Niger	-	-	-
Turkey	0.3	3.7	3.2	Asia	26.6	30.0	38.2
UK	34.2	54.5	60.9	China	5.1	5.1	7.0
US	72.1	76.3	294.7	India	0.7	1.9	2.5
Other	-	0.2	0.8	Indonesia	9.8	9.7	9.9
Offshore centres	14.3	16.5	13.7	Korea South	1.9	5.5	9.8
Bahamas	-	0.2	-	Malaysia	2.1	1.1	1.3
Bahrain	0.6	0.9	0.3	Philippines	-	0.3	0.5
Bermuda	-	1.7	-	Taiwan	1.0	1.0	2.2
Cayman Islands	-	0.6	-	Thailand	6.0	5.3	5.5
Hong Kong	10.6	10.8	12.1	Other developing countries	3.8	4.0	5.1
Netherlands Antilles	-	-	-	International institutions	-	0.4	0.6
Singapore	3.1	1.9	0.9	All countries	252.0	310.8	523.7
Others	-	0.4	0.4				

Source: Bank for International Settlements

late spreads at old-fashioned levels. Recent loans to Russian corporations have come with margins of around 400 basis points over Libor.

"Pricing in the blue-chip corporate sector is basically humping along the bottom," said Mr Sean Boylan, a director at BZW. "But we are still likely to see further tightening in some emerging markets."

Conversely, bankers expect to see some widening in the mergers and acquisitions sector. ICI's \$8bn acquisition of Unilever's specialty chemicals business last month resulted in one of the largest euromarket loans in history. Arranged by Goldman Sachs, Midland Bank and SBC Warburg, the \$8.5bn loan broke new

ground in the syndicated market.

ICI turned some heads by agreeing to pay an initial margin of 55 basis points over Libor which would fall to 40 basis points once it had reduced its debt interest burden. Although some expressed surprise at the width of the spread, most recognised it as a fair premium in the light of ICI's steep gearing ratio and the company's ambitious restructuring plans.

"This has reminded us that there are other deals out there in the market," said one banker.

Nevertheless, reports that British Telecom and MCI, the US telecoms giant, are negotiating a spread of about 15 basis points over Libor for a \$10bn loan reminded bank-

ers that the margin on the ICI loan is unlikely to be a regular feature of the A-rated market even for mergers or acquisitions.

Bankers say that the loan, which would be used to finance the launch of Concert, a joint venture between the two groups, demonstrated the power of international telecoms groups. ICI, by contrast, has a gearing ratio of more than 1,000 per cent.

A group of banks in London recently launched the Loan Markets Association with the object of establishing a secondary debt market. Officials involved say such a market would allow banks to manage their loan portfolios more efficiently. It will be at least 18 months before the market is up and running.

International bond markets

Brisk start to issuance

The US dollar continues to be the favourite currency of borrowers

Bankers were surprised that issuance volumes in the first few months of the year surpassed the record set in 1996.

More than \$200bn of international bonds were issued in the first quarter of 1997, up almost 10 per cent from the \$186.6bn launched over the same period a year ago. And primary market activity last month was also up from April 1996.

"Last year was the best ever for the primary market," said a syndicate manager at a large US bank in London. "Nobody was expecting 1997 to be as active. The briskness of activity has surprised us all. There is a strong chance that 1997 will set a new all-time high."

More surprisingly, the rise in issuance occurred in spite of a significant decline in borrowing by European sovereign states, which have been reducing their deficits and putting their finances in order in the run-up to European economic and monetary union (Emu). The shortfall, however, was promptly filled by financial institutions and borrowers from the emerging markets.

"There has been an impressive preponderance of German financial institutions," said one banker. "This year they have supplanted European sovereigns."

Corporate issuance of high-yielding debt with low credit ratings was also singled out as one of the most promising new trends in

Europe. In the US this type of instrument accounted for almost 40 per cent of total corporate issuance in the first quarter of the year, according to Standard & Poor's, the credit rating agency. And analysts have high hopes that this trend will develop in Europe.

"The most interesting new trend in the market is the gradual increase in credit diversity," says Mr Manfred Schepers, at SBC Warburg.

In the past two months several issues of high-yield bonds have been launched in D-Marks and sterling. Total issuance in European currencies is expected to reach the equivalent of \$1bn this year and possibly double this amount in 1998. Bankers believe the total size of the market will grow to between \$200bn and \$300bn as the sector matures.

"Investors in Europe are preparing for the single currency," Mr Schepers says. "Relying on currency fluctuations to boost investment returns will not be viable in the long term. As long as Emu remains on track, diversification will focus on credit rather than on currencies. As a result, banks are eager to develop their capacity to analyse credit."

One trader said: "If I were to be reincarnated, I would choose to be a credit analyst."

The US dollar continues to be the favourite currency of borrowers. In the first quarter, its market share rose to more than 40 per cent, against 35 per cent in the first three months of 1996. But fears of further rate rises by the US Federal Reserve have skewed investor demand towards more

Continued on page 4

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EQUITIES • by Michael Lindemann

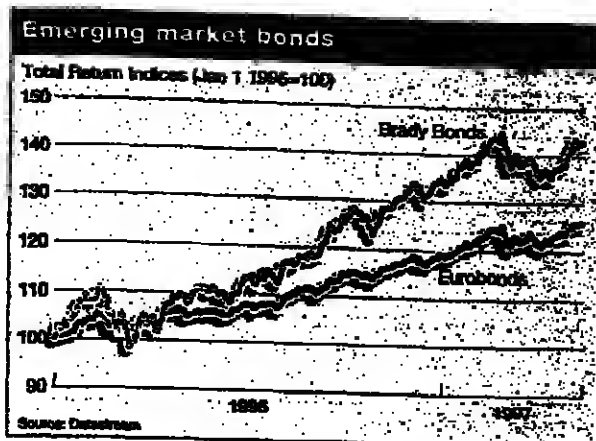
Europe sets the pace for IPOs

With stock markets continuing to advance, 1997 may be another landmark year

The prospect of tighter monetary policy in the US and other developed markets seems to have had little impact so far on the international new equity issue market.

Although volumes dipped last month, activity is running close to last year's record level and longer-term trends - including privatisation, growing demands for capital in the developing world and buoyant institutional and retail demand for shares - augur well for the health of one of the most rapidly growing sectors of the international capital market.

Last year overall issuance increased by more than 50 per cent to reach \$81.4bn, compared to only \$52.6bn in 1995, according to figures published by Capital Data Bondware. This year the pace of issuance has slackened only marginally. In April, new issues amounted to \$3.5bn compared with



EMERGING MARKETS • by Edward Luce

Bradys lose a little of their glitter

US interest rates are likely to dictate the course of emerging market debt

Bond analysts are confident that 1997 will mark a turning point for emerging market debt. Just three years after the unexpected rise in US interest rates triggered a nose dive in emerging market bonds, economists are saying swings of that magnitude are unlikely to recur. Even the chairman of the US Federal Reserve, Mr Alan Greenspan, said recently that 1997 would not be a repeat performance of 1994.

"There are some basic differences between now and 1994," said Mr Peter West, director of emerging markets research at WestMerchant bank. "Investors in emerging market debt are much less highly leveraged now than they were in 1994. The economic fundamentals of most Latin American and east European countries have greatly improved since 1994. And, perhaps most importantly, emerging market bonds have become a much more mainstream asset class than before. Some people think the market is even becoming a little bit dull."

Several decades of economic growth lie in front of emerging market economies before their bonds can rival German bonds in the tedium stakes. Bond experts, nevertheless, argue that emerging market debt has reached a new level of maturity. Almost two thirds of the slipage in emerging market bond prices since February 25 had been regained by May despite the fact that US interest rates had risen by a quarter of a point. Although markets can never fully discount events in advance, few expect emerging market bonds to be hit badly the next time Mr Greenspan tightens monetary policy.

The outlook for emerging market debt is therefore considered more stable - and potentially less dramatic - than was previously the case. "There is much more differentiation now between emerging market economies," said Mr Niel Lockwood, an analyst at ANZ bank in London. "Investors are focusing a little bit more on credit quality and economic fundamentals than before. They are also concentrating more on the difference between emerging markets - rather than the difference between emerging markets and other asset classes."

Few, as such, expect emerging market bonds to rally as impressively as they did in 1995 and 1996. Returns on Brady bonds - restructured debt collateralised by

30-year US Treasuries - hit almost 40 per cent last year according to most published indexes. The average spread over US Treasuries (with the collateral stripped out) plummeted from around 800 basis points to a spread of under 500 basis points. A repeat performance would be almost impossible.

Mr Richard Gray, chief emerging market economist at the Bank of America, says that a gentle resumption of last year's rally is probable in the third quarter of 1997. Although US, Japanese and German interest rates are expected to rise over the next 12 months, global liquidity is likely to remain strong. None of the leading economies is likely to raise interest rates to levels which would result in a global credit crunch, said Mr Gray.

"The markets recognise that the US is nearing the peak of its interest rate cycle," he said. "Institutional investors have piled up heavy cash holdings, some of which will be re-invested in emerging markets once they are more certain of market conditions."

Mr John Stopford, high-yield investment manager at Guinness Flight, says that the market could go either way. On the one hand, emerging market debt still looks cheap against similar assets. For example, the average spread of Brady US corporations over US Treasuries is about 380 basis points. This compares to a spread on emerging market Brady bonds of many of which have a BB rating - of more than 500 basis points. Likewise, BB-rated US junk bonds are trading at an average spread of about 220 basis points over Treasuries whereas BB Mexican corporate eurobonds are stuck at about 350 basis points over Treasuries. On these calculations, Bradys still have ample scope to tighten.

Yet there are also signs that the market could be nearing a peak, says Mr Stopford. "It is very difficult to put your finger on it but the market is beginning to look a bit 'toppy'," he said. "For example we are seeing completely new types of emerging market borrowers, including quite small municipalities and second-time corporations, come to the market. There is also a lot of speculative money around."

Bond strategists agree that the best response to the uncertainty over interest rates is to discriminate carefully between different credits. "In 1996 it didn't matter which Brady you chose, if you threw money at them you were bound to see high returns," said Mr West. "In 1997 it is a different story. Some Bradys have risen while others have fallen."

The election of Bulgaria's Union Democratic Front to power in April, for example, led to a mini rally in Bulgarian Bradys with the price of its bonds rising by almost half to 66 per cent of their face value. In the main Brady oil-producing countries by contrast, the decline in world oil prices since January has led to a sustained widening of spreads. Nigerian and Venezuelan Bradys have suffered accordingly.

Elsewhere, strong economic reform programmes have helped shield Russian and Argentine eurobond prices from the general downturn in the market. And in Ecuador, where political infighting threatened to bring down the government in February, the resumption of the economic reform programme has led to a surge in the price of its overseas debt.

"It is becoming increasingly difficult to generalise about the emerging debt market," said Mr Lockwood. "The best you can say is watch what happens to US interest rates and study the individual credits stories more closely."



Alan Greenspan said recently that 1997 will not be a repeat performance of 1994

DERIVATIVES • by Laurie Morse

Traders turn credit risks into profits

Investment banks are increasing their business in equity derivatives

A surging international bond market, the growing popularity of securitisation, and a fundamental acceptance by banks and their customers that risk management is essential to sound capital management has boosted the volume of dealing in global derivatives over the past year. These developments have also fuelled the growth of new derivatives products.

Derivatives dealing has always been the science of disassembling risks and repackaging them for sale to parties either seeking higher yields or diverse exposures. End-users find that derivatives are a handy vehicle for asset allocation or for restructuring capital flows, because they are cheaper, faster, and more expedient than trading the underlying instruments.

The idea that market risk can be stripped away and traded found broad application with interest rate and currency derivatives. Now,

as dealer margins on those products vanish, investment banks are increasing their business in equity derivatives, and are pioneering the use of derivatives to trade off credit risks.

Energy, traditionally a commodity market, is finding a home in financial dealing rooms because investment banks see broad opportunities for profits and innovation as the world's electricity sectors deregulate.

Since the derivatives scandals of 1994, the over-the-counter derivatives markets have undergone radical changes. There is now more agreement on how risks should be measured and how contracts should be valued. Standards for regulatory capital treatment for these diverse instruments are still being debated, but so far have not limited expansion. In the wake of the scandals several industry groups have subscribed to codes of best practices.

These infrastructural changes, however, do not account for the tremendous growth in the use of derivative instruments. While it is hard to measure all proprietary trades, the Bank for

International Settlements pegged the underlying notional value from all types of derivatives, including listed futures and options, at \$55,000bn at the end of 1996.

The International Swaps and Derivatives Association, the US-based trade group, estimates that the outstanding notional value of just three types of over-the-counter derivatives trades - interest rate swaps, currency swaps, and interest rate options - grew by 37.1 per cent in 1996 over 1995, to \$24,300bn at year-end.

The shift toward OTC trading is unmistakable. Just five years ago derivatives were mainly the purview of listed futures and options exchanges, with a handful of the world's biggest investment banks experimenting with privately-structured swaps and OTC options. These days, the situation has been reversed, with growth in private deals far outstripping volume gains on futures exchanges.

Furthermore, OTC swaps dealing has become so standardised in sectors such as dollar-denominated interest rate transactions that banks are finding they can net their risks within their own

books, reducing their need to use futures exchanges to lay off interest rate exposure.

Swaps Monitor, the US financial risk management newsletter, said that outstanding amounts of exchange-traded interest rate futures were 24 per cent of OTC interest rate derivatives at the end of 1996, a sharp drop from 31 per cent a year earlier, and 40 per

There is now more agreement on how risks should be measured

cent at the end of the first quarter of 1995. The exchanges' share of all options trading also shrank, from 60 per cent in 1995 to just 48 per cent in 1996.

Analysts say the growth in OTC derivatives trading is driven in part by technology. Pressure on investment banks to measure and manage risks better has required heavy investment in computing power and innovative

financial modelling. With that technology in place, banks have a tighter read on their risks, which allows them to better leverage their capital.

Using these tools, and their experience in managing market risk, top-tier banks in the past two years have moved into credit derivatives. Still a relatively small segment of derivatives dealing, credit risk-management has provided an important service to clients who seek exposure in emerging markets, and those interested in asset swaps - two types of deals that are credit-driven.

Investment banks typically have specified caps on how much capital they can lend in any one country. Investment banks which wish to lend to corporations in a particular country often find themselves up against the country risk limits. Credit derivatives, which can spin off or hedge country default risk, are used to free credit lines and allow more loans to be written.

Similarly, if a bank has an existing loan with a foreign client in a country where default risk is rising, the bank may use a credit deriv-

ative to hedge the credit risk of the loan. This avoids having to terminate the investment and alienate a valued client, which can be worth the premium paid to do the swap.

The risk buyers in these circumstances are typically money managers or banks on the look-out for higher yields. Similarly, dealers doing asset swaps typically engage in "credit protection" trades that give some insurance against default.

The integration of derivatives deals - often options or other structures embedded in loans or equity issues - into mainstream financing has begun to be reflected in the organisational structure of some investment banks.

Bankers Trust for example, has recognised the synergies between its asset swap and credit derivatives groups - two business lines that historically have not overlapped - by putting them under the same umbrella.

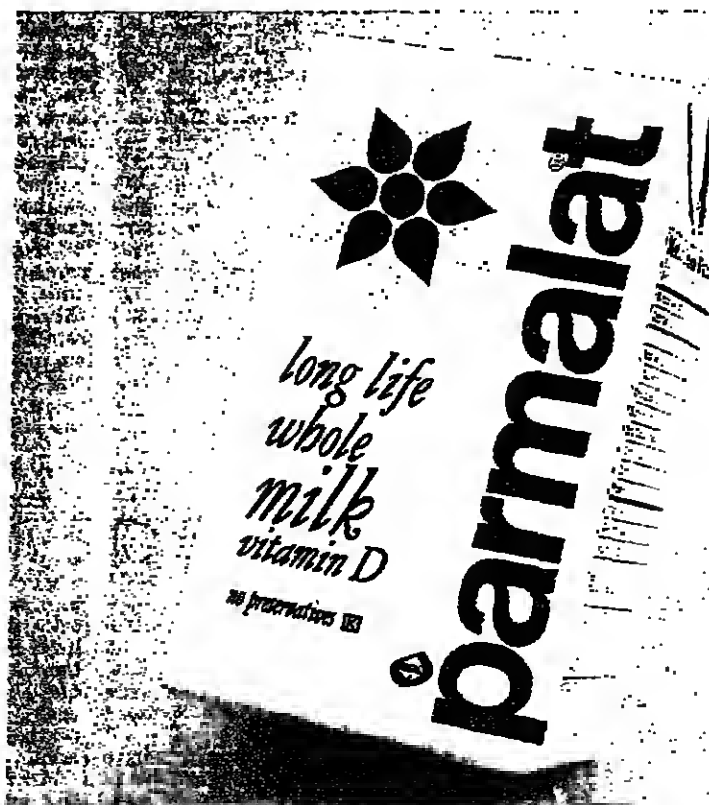
By their nature, derivatives reflect the activity in their underlying securities. Dealers expect their growth to continue as international financing activities expand and diversify.



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IPOs

4 INTERNATIONAL CAPITAL MARKETS

SECURITISATION • by Samer Iskandar

Investor appetite is still keen

Analysts are optimistic that the underlying trend is on a rising path

While growth in issuance continues at a lively pace, it is unlikely that this year's volume will exceed the record amount of asset-backed securities (ABS) launched in 1996.

The reason is that three one-off deals, accounting for a quarter of all primary market activity, pushed the amount of new issues in 1996 above the \$100bn level - three times 1995's volume and more than 10 times the

issuance in 1992. These were launched by EPFR (\$8bn), the French state-backed entity set up to help rescue Crédit Lyonnais, GPA, which securitised \$4bn of aircraft leases as part of a company-wide restructuring, and ROSE Funding, a \$5bn securitisation of one third of the corporate loans portfolio of National Westminster Bank.

Such deals are unlikely to become recurring events, but analysts are optimistic that the underlying trend - excluding one-off transactions - is on a rising path.

"We should continue to see a steady increase in volumes," says Mr Karl Essig, head of international securi-

tisation at Morgan Stanley. "Last year was exceptional because of large one-off deals, but these will be partly replaced by the emergence of new issuers from Latin America and Asia."

On the demand side at least, there seems to be more than enough investor appetite for new deals. This is in large part due to the fact that yields on ABSs are significantly higher than those of standard bonds with similar ratings.

"The sector offers a very favourable risk/reward profile," says a senior official at a US bank in London.

Supply, however, has in the past been constrained by the low availability of assets that lend themselves to securitisation. But this obstacle is gradually being eroded. "More banks are putting in place principal finance groups," says Mr Paul Taylor, London managing director of DCR, the credit rating agency. "Banks are increasingly finding assets and warehousing them with a view to securitising them."

Supply is also expected to come from corporate finance activity. In the US, securitisation has evolved into a via-



Karl Essig: large one-off deals made 1996 exceptional

ble and often cheaper alternative to bank loans when companies want to finance an acquisition. But this usage has yet to be transposed to Europe.

"This method of financing works best on a business with strong cash-flow and strong, easily quantifiable assets," says Mr Guy Hands, head of principal finance at Nomura International. "It would not suit brand-oriented companies with a large amount of goodwill."

In the UK, where the regulatory environment is more favourable for securitisation than in continental Europe, several acquisitions have been funded in this manner, usually involving consumer finance lenders or mortgage providers.

Project finance is another promising area. "There is likely to be an increase in the use of capital markets to fund private financing of projects," says Mr Essig, at Morgan Stanley. "Most private finance initiatives (PFI) projects require long-term funds at fixed rates." The most recent transaction in this field was done by Antolink Concessions, a special project entity participating in the construction and maintenance of a 100km stretch of the M6 motorway between England and Scotland. The company raised £125m through a bond issue backed by receipts of shadow tolls from the road.

The geographical diversity of supply is also widening. "The industry is coming of age on a global basis," says Mr Taylor at DCR. "The use of new techniques has spread to Latin America and is moving to central Europe and Asia, where we are seeing new types of deals that did not exist two years ago."

Australia is another potential source of supply. Mortgage-backed securities have

been traded in the domestic market for several years and issuers are gradually turning to the international market. "The market there is very similar to the US, with a constant flow of mortgage securitisations," says Mr Alexander Justham, vice-president for structured products at J.P. Morgan in London. "Issuers have the experience and with Puma's recent international transaction, they have started tapping this investor source."

In the UK even mortgage securitisations, now considered almost a commodity, are still seeing innovation.

SBC Warburg, for example, is working on an issue of bonds linked to UK house prices. The bonds will be backed by a new form of mortgage, launched late last year by Bank of Scotland. The bank is offering home owners a reduced or zero rate of interest in return for a share in any capital appreciation when the property is sold. Whereas the Bank of Scotland's innovation offers the lender a chance to participate in gains on house prices, SBC Warburg takes the concept one step further and offers the same opportunity to bond investors.

"In this structure, the capital markets allow us to liquidity the wealth of house owners," says Mr Craig Corn, a director at SBC Warburg.

The UK housing market is thought to have an aggregate value of about £1,200bn, greater than the UK's stock and bond markets. The aggregate amount of mortgages in the UK is estimated at £400bn.

"This market offers huge potential," Mr Corn says. "Securitising shared-appreciation mortgages is like privatising the biggest market in the UK - the housing market."

100-YEAR BONDS • by Christine Moir

Century fever may be on the wane

Issuers outside the US have found the market precarious in recent months

Seat-of-the-pants investors may question the value of so-called "century" bonds, which issuers do not have to repay for 100 years. First, how many companies issuing them today will still be around then? Second, why lock into low yields for the equivalent of eternity, with a guaranteed capital loss if they are off-loaded in the market when interest rates inevitably rise again?

The last big bout of century bonds was by railroad companies in the 1860s and 1870s. Almost none was still in existence at pay-back time. Nor could investors console themselves with a century of outstanding interest rate payments. Then, as now, companies issued 100-year debt because interest rates were low and little premium was demanded for such exceptionally long maturity.

Yet this commonsense approach is not shared by professional investors for whom portfolio theory is the guiding principle. They do not regard century bonds as "buy-and-hold" investments but as trading vehicles.

What matters is how they perform in the market over a three- to six-month period, relative to other long-term debt instruments. In those terms century bonds seem to prove little riskier than 30-year money - even 30-year US Treasury bonds. They tend to outperform on a rising market, but do not markedly underperform on a falling one.

According to some professionals, such as Mr Joseph Mullaly, a portfolio manager with Travelers Insurance, not only do they "go up more in price as rates fall, [they] go down less in price as rates rise". There is even a name for this phenomenon: convexity.

To some, this recourse to portfolio theory is just an elaborate excuse for the desperate chase for higher yields. With interest rates now apparently on the rise again, the argument is that century bonds will soon fall out of the repertoire. Under those conditions investors

will demand a wider spread over shorter-term debt than issuers will find attractive.

Another factor which could bring the American fashion for C-bonds to an end is the Clinton administration's proposal to end tax breaks on debt of more than 40 years' maturity. One of the attractions for US companies has been the tax relief available on the interest rates they must pay for the bonds. President Clinton now believes that really long-term debt is more akin to equity. As equity dividends are not tax deductible, the same should apply to coupons on C-bonds.

With this disadvantage, a possibility for the next budget, recent US C-bond issuers have been building a tax factor into the coupon they are offering. With that proviso, however, top-rated US blue chips have been more than ready to issue C-bonds.

Last year, 40 US companies tapped the market in

30-year T-bonds.

The spread widened for both the Chinese sovereign bond and the state-owned Korean Electric Power Corp issue which followed, until by the time of the first private Asian company issue this year, Reliance Industries of India had to pay a premium of 355 basis points.

"US investors want a premium for leaving the home market," says Mr Marc Tourangeau, a senior portfolio manager of First of America Investment Corp, Kalamazoo. "The longer the maturity, the greater the premium."

Some issues may not be attractive enough at any price. Between mid-April and early May the Philippines Central Bank first scaled down and then pulled a C-bond which had originally been expected to be for as much as US\$750m.

The bank had not needed to borrow; it was trying to set a benchmark. But global interest rates moved up and investor sentiment towards the Philippines cooled. The result was that the bank simply could not meet investors over price.

The bluntest of blue chips in fully-developed markets - such as ABN Amro and Rupert Murdoch's News America - which both offered C-bonds last year - may still be able to pull in the punters. But anything less attractive may be in trouble.

Investors who took up the US\$300m bond by Endesa, Chile's largest private electricity generator, are feeling particularly sensitive. The bond was earmarked for the Pangue hydro-electricity project on the river Bio-Bio. Shortly after it was launched the World Bank warned that the project might be in breach of the environmental pre-conditions it had laid down, especially about rehousing local Indians.

If nothing else, the warning highlighted how risky it is for investors to rely for their returns on a single project in the third world.

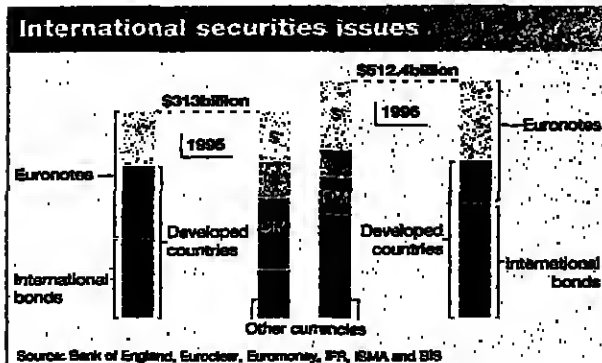
In any case it looks as if the global debt picture is changing and, with interest rates on the rise, C-bond fever will naturally abate. If so, it will reinforce the belief of C-bond sceptics that the appearance of such exotic instruments is a sure sign that the bull market has passed its peak.

President Clinton's tax proposals may end the C-bond era

This instrument, compared with only six foreign companies. The most recent US offering this year was a US\$500m issue by Ford in May. It sold at a tight spread of just 85 basis points over the yield on 30-year US Treasury bonds. In February, Caterpillar sold US\$300m worth and J.C. Penney and Chrysler also tapped the market - all three after Mr Clinton's tax proposals.

These successful issues, however, belie recent fragility in the market for US C-bonds. Some commentators called the end of the C-bond surge in early April when Noble Affiliates postponed its planned issue and Californian biotechnology group Amgen struggled to price a US\$100m bond.

Among foreign issuers the market has been even more precarious in recent months. In January last year Tenaga, the state-owned Malaysian electricity utility, set the ball rolling for Asian C-bonds with a US\$150m issue. It was priced at just 146 basis points above US



Brisk start to issuance

Continued from page 2

defensive instruments, such as bonds with short maturities and floating rate notes.

From the standpoint of borrowers, the dollar has also offered favourable arbitrage opportunities, with advantageous swap rates reducing the all-in cost of borrowing.

"Bond issuance is becoming increasingly opportunistic," said a bond syndication manager. "Borrowers want to meet strict funding targets. They are willing to tap any sector that offers the best arbitrage."

This attitude has helped some peripheral markets to develop, such as the South African rand, the Czech koruna and the Italian lira. "Do you think the European Investment Bank and the World Bank have specific needs in rand or koruna?" said the syndication manager. "Of course not. They only borrow there because swap rates are attractive."

Attractive swap rates were the main driving force behind issuance of 10-year French franc bonds - and 5-year D-Marks - last year. Several banks have taken advantage of this situation,

raising long-term capital through issues of floating rate notes. Merrill Lynch, which arranged a perpetual issue for Banque Nationale de Paris in April, reported "tremendous investor appetite".

With arbitrage opportunities now removed, these sectors have barely seen any

Preparations for Emu have also led to the emergence of new types of instruments

issuance in recent months. "Swaps now favour issuance in dollars with maturities of less than five years," says a syndicate manager. "Coincidentally, this is also the area where demand by retail investors is strongest. But there is no way of telling how long this will last or where supply will come from next."

Preparations for Emu have also led to the emergence of new types of instruments, such as so-called "parallel bonds" and securities

denominated in euros, the planned single currency.

Euro-denominated bonds are in fact traded and settled in Ecus, the European currency unit, leading some bankers to dismiss the concept as just a gimmick to try to revive the Ecu market. Others, however, believe these securities offer advantages to investors.

"It is not a question of whether the concept is new," says one syndicate manager in London. "The fact is that euro-denominated bonds offer higher yields than French francs or D-Marks. They also remove re-denomination risk."

Re-denomination risk is the risk that the value of the euro, in which all bonds will be redeemed after Emu, will be lower than that of the European currency in which they are currently denominated.

The Ecu sector has benefited from this new trend, with issuance in the first quarter almost reaching the Ecu5bn barrier, three times the volume of the first quarter of 1996, propelling the sector ahead of the Spanish peseta and Dutch guilder.

Samer Iskandar

US BONDS • by Tracy Corrigan

Junk bonds make a comeback

Companies are using the market for investment as well as for takeovers

The US domestic bond market spans an unrivalled variety of credits, structures and maturities. The large size of its investor base and the ability of US fund managers to assess credit have made the US market a magnet for issuers.

Of the various market segments, the largest - the US corporate bond market - is also the least interesting. Investment grade bond issues by US companies topped \$500bn last year. Individual deals - such as a recent \$4.3bn corporate bond for Norfolk Southern - can be extremely big. But the market is mature, and while its fortunes continue to ebb or flow along cyclical lines, there appears to be little scope for further evolution.

Two adjuncts of the US corporate bond market have meanwhile taken on a life of their own. One is the high-yield bond market. High-yield or junk bonds, once widely discredited as a symptom of the excesses of the 1980s, have made a comeback. Issuance of US domestic junk bonds totalled nearly \$35bn last year, compared with less than \$25bn in 1995. In the first quarter of 1997, high-yield volume was the highest ever proportion of the total corporate bond market, at 39 per cent, according to Standard & Poor's.

More significant, though, is the strong performance of the high-yield sector, which has drawn back investors who were burnt in the 1980s and attracted new adherents. "The market has improved in credit quality," said Mr Randy Barker, co-head of global debt markets. "In the 80s it started out with smaller companies, and in the junk bond takeover craze many, although good on the

asset side, were very thinly capitalised. In the 90s, there have been a more rational approach from both issuers and investors, with deals from larger, better capitalised companies and growth companies."

Creditworthiness generally has been improving, largely thanks to the strength of the US economy as well as companies' greater conservatism with regard to debt, and there has been a reduced rate of defaults. In the first quarter, for example, there were only four defaults of rated corporate debt of \$556m, according to Standard & Poor's.

For companies, the market is increasingly being used as a means of raising funds for investment, as well as for takeovers. For example, telecommunications companies have been using junk bonds extensively as they invest in infrastructure. Many of these companies issue callable debt which they refinance at lower rates as their ratings improve, analysts said.

Furthermore, investors who once stuck to top-rated credits have become willing to move down the credit spectrum, though they typically will not go below double-B. Nevertheless, more single-B credits have come to the market, as high yield investors have also sought to maximise spreads over US Treasuries.

The reason for this is twofold. First, shrinking US interest rates have enticed investors to move down the credit spectrum in search of higher yields. Second, junk bonds have outperformed the bond market in recent years, forcing investors to re-assess their willingness to buy the product - particularly those investors whose returns are benchmarked against indices which include junk bonds. "More and more investors are saying that they have to participate," said one observer.

"Basically, with spreads having tightened consid-

ably over the last year or two, investors are increasingly seeking out higher spread product and are willing to travel down the credit curve," said Mr Mark Seigel, a managing director at Morgan Stanley.

The same holds true of investors' willingness to consider foreign credits. Volume in the market for public debt and private placements by foreign issuers has thrived, as yield spreads on conventional corporate bonds and junk bonds tightened. Last year, issuance by foreign borrowers totalled \$18bn.

The credit quality of these issues has become much more diverse in the past few years, as first Latin American sovereign borrowers blazed the trail and then emerging market companies followed - many in the high-yield debt market.

"There have been secular

changes in the breadth of the market," said Mr Steve Jones, head of high yield capital markets at Salomon.

But few credits rated lower than single-B appear in the market. According to Mr Chris Johnson, head of high-yield at Merrill Lynch, some fund managers prefer to buy unrated debt rather than buy C-rated debt. Such debt is then assessed according to internal procedures.

The big question is whether spreads are as tight as they are going to get and whether the market is peaking. In the market's April correction, spreads on high yield bonds widened but are now again at historically tight levels. Some fund managers think that these levels are expensive - particularly given the chance of higher interest rates.

But many market professionals believe that, while

the market will still be subject to cyclical swings, the advent of a broad audience of investors is a secular change.

Another threat for underwriters is increasing competition. Commercial banks, most notably Chase, have become active in the underwriting business. While commissions so far show no sign of erosion, competition is increasingly cut-throat, according to underwriters.

And investment banks are taking the battle to the commercial banks: the likes of Salomon and Goldman Sachs have become involved in the syndicated loans market, with the result that lending margins are being squeezed.

The good news is that they have a new market in which to compete: junk bond issuance is just getting started in Europe, with recent deals in sterling and D-Marks.

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JAPAN: CAPITAL FLOWS • by Gillian Tett

Foreign flight set to continue

Investors have had a powerful incentive to place their money elsewhere

Every spring in Tokyo a peculiarly Japanese ritual takes place. In a neatly co-ordinated move, the country's giant life insurance companies indicate where they intend to place their money in the next fiscal year – a decision that, in line with tradition, they normally take at prescribed points in the calendar.

This year, however, the musings of the life insurance giants are attracting particular attention. For, as Japan prepares for financial deregulation, known as "Big Bang", the issue of capital flows is beginning to attract a new flurry of attention.

During much of the early 1990s, Japan's huge investors were relatively cautious about placing their money in overseas assets – not least because many had been badly burnt by a dash overseas during the heady expansionary days of the 1980s.

However, last year this pattern changed sharply as both life insurance groups and Japanese individuals discovered a new appetite for overseas investments. Consequently, the crucial question hanging over Tokyo as it prepares to deregulate its financial markets is whether this overseas flood will continue unabated, or tail off once again, as it did after the 1980s' rush.

In the short term the answer depends partly on trends in the Japanese and US economies. During the past 12 months, economic fundamentals have left Japanese investors with a powerful incentive to place their money elsewhere.

In Japan, interest rates have been cut to a historic

low of 0.5 per cent as Japan's government has sought to boost its flagging economy. This has left the benchmark 10-year government bond falling to about 2 per cent. And with the Nikkei having drifted down by about 11 per cent during the course of fiscal 1996, investors had little reason to place their money in Japanese equities instead.

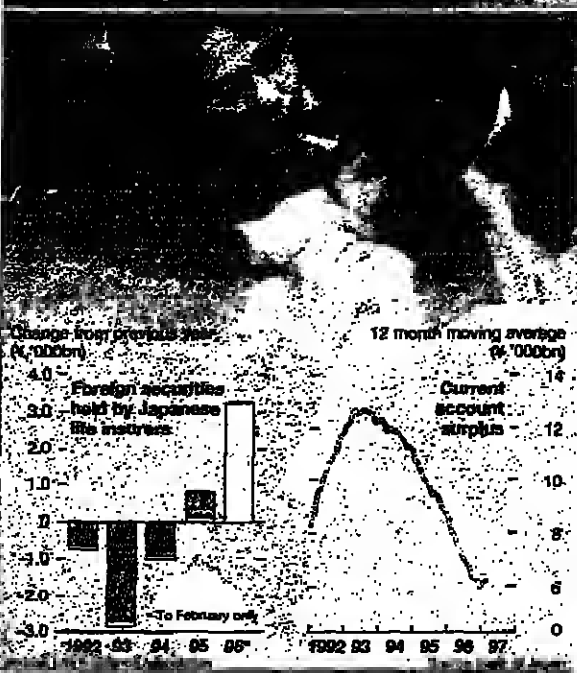
In the US, by contrast, Wall Street has soared. And with bond market yields running at well over 6 per cent the difference has ensured a striking interest rate differential between the two countries – a spread that has actually widened in recent months, as US rates have begun to drift up.

This picture has left life insurance groups voting with their feet. Although they cut their overseas securities investments in fiscal 1992, 1993 and 1994 – and raised them only slightly in 1995 – last year they raised them by ¥3,344bn in the first 11 months of the fiscal year. And, with a host of other private investors also boosting their overseas investments, the result was a sudden surge in capital outflows from Japan.

The economic fundamentals may not now be quite as compelling. On the one hand, the weakness of the yen – which is believed to have been partly triggered by these outflows – makes it more risky for investors to place their money overseas. The US stock market is starting to look slightly more vulnerable – at least in the eyes of some Japanese investors.

Meanwhile, the interest rate differentials may begin to look slightly less startling. In early May, there was market speculation that Japan might raise its interest rates soon, both in response to the recent yen weakness and a slight

Japan: money flows out



brightening of Japan's economic outlook. In practice, a rate rise remains unlikely before the autumn or next year. However, the speculation has already strengthened the yen slightly, and pushed the yield on government bonds sharply up, to hit some 2.68 per cent in the middle of May.

But in spite of these trends, returns on many Japanese investments remain poor compared to the picture elsewhere – and is likely to remain so unless the US suddenly starts cutting rates. And most life insurance companies expect overseas assets to increase this fiscal year, albeit at a slightly slower rate. Nippon Life, the largest group, for example, expects to invest some additional ¥300bn overseas, compared to ¥600bn last year. Dai-ichi Mutual, forecasts a rise of ¥300bn, also down from last year's ¥500bn increase. Meanwhile, Meiji Mutual expects to raise its increase from ¥100bn to ¥300bn.

But the interesting question is whether this behaviour will be matched by other investors. For quite apart from the macroeconomic factors, a second key factor is now also influencing capital flows this year – the structural shift under way among Japan's investment community.

Hitherto, Japanese life insurance companies have

been one of the more visible focuses for Japanese overseas investment. But financial deregulation is already broadening the range of investors who can now place their money overseas. Next April, for example, a change will be made in the foreign exchange laws that will remove most of the last remaining barriers to individuals and companies investing overseas. Meanwhile, a bewildering myriad of changes is also planned which will give pension funds, companies and other institutional investors greater freedom to increase their overseas assets.

This prospect of reform is reflecting and triggering shifts in consumer behaviour, as individuals increasingly seek higher returns. And since the Japanese market is offering few attractive domestic investment vehicles, this has left most investors looking overseas. The Japanese securities houses are now aggressively selling overseas securities to individuals. Investors are not only snapping up the traditional US government bonds, but also a range of increasingly risky investments – including securities from developed countries.

This means that even if the life insurance groups do curb their purchase of overseas holdings, the total outflows of capital could well gather pace.

PROJECT FINANCE • by Andrew Taylor

Private sector fills the gap

The number of banks prepared to arrange and underwrite project financing is rising

Last year was a bumper one for project finance as international banks closed a record number of deals funding a swathe of power, telecommunications, water, transport and even satellite projects around the globe.

The drive to increase lending has led to greater competition for established north American, European and Japanese finance houses from banks from emerging nations such as Korea, Taiwan, Malaysia, Indonesia and parts of the Middle East.

The growing confidence in the sector is illustrated by the rising number of banks prepared to arrange and underwrite project finance where the risks and rewards are greater.

Demand is being driven by governments which no longer have the capacity to finance infrastructure themselves and which are turning to the private sector to fill the gap.

Power and telecommunications projects have led the way. Road and rail schemes, however, have proved harder to fund with political uncertainty over pricing making it difficult to provide satisfactory cashflow forecasts.

Airports also have attracted large amounts of private sector project finance, particularly in south-east Asia where some of the biggest airport developments are being undertaken.

Total financing of new private infrastructure projects in developing countries is estimated to have more than doubled from \$17bn to more than \$35bn between 1993 and 1995, according to the International Finance Corporation, the private investment arm of the World Bank.

A further \$10.1bn of infrastructure assets were sold in 1994 as a result of privatisation of 75 companies in 30 countries, says the IFC. A more recent survey conducted by the London-based

Signed project finance deals		
Country	Project count	Amount \$bn
US	103	46.7
Hong Kong	36	19.4
Indonesia	72	14.1
UK	41	13.2
Australia	44	12.7
Thailand	31	9.4
China	64	5.4
India	28	6.9
Germany	9	6.2
Brazil	23	5.8
Qatar	3	4.7
Canada	23	4.5
Italy	6	4.4
Turkey	14	3.9
Saudi Arabia	6	3.8
Malaysia	13	3.6
Argentina	18	3.4
Chile	15	3.2
Greece	2	3.0
Pakistan	13	2.7

Project & Trade Finance magazine estimated that project financing, worldwide, was arranged last year for 897 schemes with a total value of \$224bn, substantially more than in 1995.

Asia/Pacific region led the way closing deals on 383 projects worth \$76.26bn, north America accounted for 126 schemes worth \$51.14bn and western Europe 92 schemes worth \$34.28bn.

Hong Kong, unsurprisingly given the surge in building ahead of this year's handover of the territory to China, was the most active economy outside of the US, which last year signed project finance deals worth \$46.67bn.

Funding in Hong Kong was arranged for 36 projects worth \$19.3bn of which developments related to the construction of the new Chek Lap Kok airport accounted for about half.

One of the biggest loans was a HK\$8bn financing arranged for Sino Land which together with partners, Kerry Properties, Bank of China and China Overseas Land & Investment is building a large residential and commercial development above Tai Kok Tsui station along a new rail link to the airport.

Indonesia was the third largest user of project finance concluding 72 deals

worth \$14.14bn, ahead of the UK which concluded 41 deals worth \$13.23bn.

Telecommunications projects led the way in Indonesia with the state-owned PT Telekom handing over the management of the country's developing phone network to five private sector companies.

Aria West International raised \$615m to finance the establishment of 500,000 telephone lines in west Java by 1999.

Lead arrangers were CIBC Asia, Chase Manhattan Asia, Credit Lyonnais and Sanwa each committing \$33.5m.

ANZ Bank, Deutsche Morgan Grenfell Asia and Dai Ichi Kangyo led a group of international banks providing a \$480m loan facility to Mitra Global Telekomunikasi to develop networks in central Java.

The UK with its commitment to privatisation and the Private Finance Initiative (PFI) – which seems unlikely to be reversed under the new Labour government – has led the way in Europe.

SBC Warburg and Lehman Brothers were joint lead managers of a £165m fixed rate bond for Road Management Group, the private sector consortium owned by Amec, Alfred McAlpine, Brown & Root and Dragados, which won the concession to

finance, build and operate two sections of British roads, the A1 (M) between Alconbury and Peterborough and the A149/A417 between Swindon and Gloucester.

Telecommunications and power projects also featured strongly in the UK. Deals included a \$2.29bn Telewest Communications funding which raised \$1.8bn of debt and a \$1.9bn Mercury One-2-One financing for network expansion.

Power deals included funding for the \$1.24bn Humber Power Station stage two development.

Mr Jonathan Scott, executive director of SBC Warburg said: "I would expect to see more of these types of deal around the world. Britain's experience of privatisation gives the country a lead. Public funding pressures mean that project finance is also likely to grow in importance as a means of funding transport developments."

Project & Trade Finance, which also ranked international banks by the scale of their lending, said increased competition was encouraging larger finance houses to move into arranging and underwriting where margins were greater.

Mr Rupert Sayer, the magazine's editor, said: "We are seeing a new tier of arrangers and underwriters which previously were merely participants in project finance syndication."

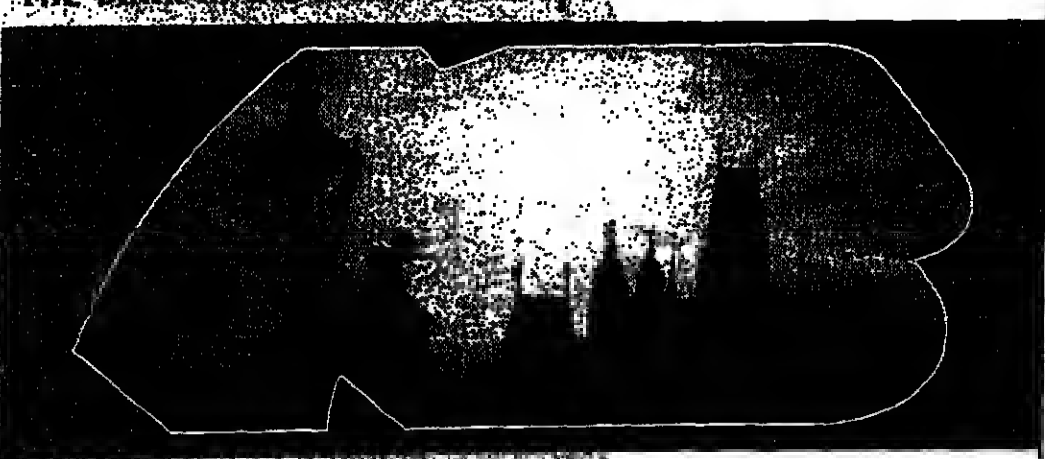
This new competition includes Korean banks, the German Landeshanks and other south-east Asian banks which are challenging some of the larger Japanese, European and north American banks.

According to the magazine, Chase Manhattan, following its merger with Chemical Bank, was the world's largest arranger of project finance last year underwriting \$8.75bn in 92 projects.

It was followed by Citicorp (72 projects and \$5.83bn); ABN Amro (64 and \$4.63bn); Barclays/BZW (56 and \$4.07bn); Bank of America (57 and \$3.61bn) and Hongkong and Shanghai Banking Corporation (39 and \$2.54bn).

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FINANCIAL TIMES COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1997

Friday May 23 1997

Week 21

BOWENS A WORLD LEADER IN PHOTOGRAPHIC LIGHTING

WOLSELEY The name behind the name.

IN BRIEF

Olivetti seeks strategic investor

Olivetti, the struggling Italian information technology group, said it was seeking strategic investors to help its long-term recovery. Mr Roberto Colaninno, chief executive, ruled out a new capital increase. Page 27

Daimler-Benz may raise US output
Daimler-Benz, the world's leading luxury car-maker, is studying plans to build more vehicles in the US and Asia as part of efforts to raise output to more than 1m units a year. Page 26

Matsushita to lift spending by 13%
Matsushita, Japan's largest consumer electronics group, unveiled plans to increase capital spending as it reported a strong rise in profits. The group plans to invest ¥470bn (\$4bn) this year, up 13 per cent. Page 28

Lenzing cancels dividend
Austrian group Lenzing, one of the world's largest producers of viscose, cancelled its dividend as it unveiled losses of \$530.3m (\$2.54m) incurred during one of the "most difficult" years in its history. Page 27

Zambian copper sale still on track
Zambia insisted that the sell-off of the state copper mining company would start as planned, in spite of the withdrawal of South Africa's Gencon from the development of one mine. Page 34

MHI posts record profits for third year
Mitsubishi Heavy Industries, the largest of Japan's diversified shipbuilding, aerospace and heavy-machinery makers, posted record consolidated profits for the third year. Page 29

Vesper looks to diversify
Vesper Thornycroft, the UK shipbuilder and engineering group, is planning to spend up to £200m (\$321m) on acquisitions to reduce its dependence on warship production. Page 30

Santa Isabel founder to sell stake
Mr Eduardo Elberg, founder and majority owner of Santa Isabel, the Chilean supermarket chain, has agreed in principle to sell his 37 per cent stake to the Velox Group in Argentina for about \$200m. Page 26

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Chief price changes yesterday

FRANKFURT (DM)			PARIS (FFr)		
Rieser	90.5	+ 4.3	Cheminot	393	- 39
Deutsche Bank	60	+ 15	Imetel	78.3	- 35
CEA PH	511	+ 39	Lafarge	382.0	- 12.7
Hofmann	350	+ 15	Nachle B	333.6	- 15.9
Karstadt	321	- 11	Renault	147.8	- 6.7
PSA	773.9	- 12.5	Schweiger	310.2	- 11.6
NEW YORK (US)			TOKYO (Yen)		
Rieser	14.4	+ 1.4	Daiwa Bank	460	+ 25
Chugai	32.9	+ 4.1	KDD	8020	- 470
Hartford Life	25.4	+ 2.4	Mitsui Logis	1710	+ 80
Ind. Natl	25.4	+ 2.4	Sumitomo	3310	- 170
St. Joe Corp	79.4	+ 4.1	Yasuda	612	- 34
Tokyo Ship	30.4	+ 2.4	Mitsui Bussan	4100	- 260
LONDON (Pence)			HONG KONG (HK\$)		
Rieser	140	+ 15.7	Sun Hung Kai	2.23	+ 0.02
British Int	74.4	+ 5	Wharf Hldgs	35.3	+ 1.3
Graysport	74.4	+ 5	Wing On	9.4	+ 0.2
Wright	81.4	+ 7.7	Wing On	9.4	+ 0.2
TORONTO (C\$)			ALASKA (US\$)		
Rieser	12.5	+ 1.0	Alaska Dec	47.00	+ 4.25
Schmidt Gold	12.5	+ 1.0	Alaska Jan	31.2	+ 2.6
Mac Inc	12.5	+ 1.0	Alaska Feb	16.5	+ 1.5
Scotiabank	2.05	+ 0.35	Alaska Mar	64.5	- 7.0
Canwest Corp	5.45	+ 0.55	Alaska Apr	48.75	- 5.25
Goldcorp	10.2	+ 1.3	Alaska May	13.25	- 20.00
Q Car	4.0	- 0.4			

New York and Toronto prices at 1230.

City fears departures could pose threat to fashion retailer's recovery

Rebellion brewing at Laura Ashley as two executives quit

By Peggy Hollinger in London

A rebellion appears to be brewing at Laura Ashley, the fashion and furnishings retailer, following the departure this week of two senior executives.

Ms Julie Ramshaw, the former City of London analyst drafted in by Laura Ashley's chief executive Ms Ann Iverson, has resigned as merchandise director after just 17 months. Mr Dominic Lavelle, finance director for UK and Europe, has also quit.

The company, which last month shocked the market with a profits warning, denied yesterday that there were any disagreements between the chief executive and the departing executives. Ms Ramshaw had decided to return to her former career, the group said, and Mr Lavelle had been offered "a very attractive position" at another company.

However, Ms Ramshaw is understood to have handed in her resignation initially to Laura Ashley's chairman, Mr John Thornton, instead of to her immediate superior Ms Iverson. One colleague at

Laura Ashley's headquarters said Ms Ramshaw had been frustrated by the lack of "strategic direction". Ms Ramshaw was unavailable for comment.

The departure of the two executives surprised retail analysts yesterday. One suggested the departures could "blow the recovery story out of the water".

It reinforced fears over the strategy being pursued by Ms Iverson. "Strategically the whole thing is in a complete mess," said one analyst. "They do not know what direction they are going in."

Ms Iverson, who joined Laura Ashley in June, 1995 after a series of management changes had failed to return it to profit, is known as a tough retailer, and has been credited with returning Mothercare, the children's wear retailer, to profit in the early 1990s.

Senior employees suggested yesterday there was widespread discontent in the company over actions taken since Ms Iverson arrived in 1995.

In January, she admitted that the company had bought too much stock and said the group would now have to dis-

count merchandise, which would hit profit by some \$4m (\$6.4m). Both employees and the City are also angry over changes made to the contracts of Ms Iverson and finance director Mr Jim Walsh, which left them with total pay packets last year of £1.1m and \$648,000 respectively.

The remuneration committee altered the contracts in February last year, when it emerged that they did not offer an incentive greater than the City's profit expectations.

Although the initial hurdle was raised, the level of bonus was increased substantially at lower profit levels. This has caused widespread discontent within the company.

Under the original remuneration scheme, Ms Iverson would have received a bonus of 40 per cent of total salary on the group's reported profits of £16m. In fact, she received 116 per cent of salary under the revised scheme.

The company yesterday dismissed criticisms as no more than the result of the changes being made by Ms Iverson to help the business. Laura Ashley's AGM is next Friday.



Chief executive Ann Iverson: tough retailer credited with returning children's wear chain Mothercare to profit in the early 1990s.

Rattner to take over as deputy chief of Lazards

By Tracy Corrigan in New York

Mr Steven Rattner, a media banker, emerged yesterday as the successor to Mr Felix Rohatyn, the star dealmaker of Lazards Freres in New York, who is leaving the firm to become ambassador to France.

The firm also announced a series of management changes which will make Lazards Freres, known for its lack of structure, look more like a conventional investment bank. The moves may be seen as a precursor to more formal structural ties between Lazards' New York, London and Paris arms.

Mr Rattner, 44, in his new position as deputy chief executive of Lazards Freres, will report to Mr Michel David-Weill, head of the Lazards group, who retains control of the New York business as chairman and chief executive.

Mr Rohatyn was seen as the most senior figure in the New York arm of the firm but had no formal title.

"I have full confidence that these steps both strengthen and broaden our management team," said Mr David-Weill. "With them, and the continued hard and intelligent work of the entire Lazards organisation, we better assure our continued pre-eminence."

Mr Rattner is a former New York Times journalist who has also worked at Lehman Brothers and Morgan Stanley. Mr David-Weill also announced the formation of a management committee, with operational and management responsibility.

Mr Kendrick Wilson, Mr Norman Elg and Mr Herbert Gullquist have been named vice-chairmen, and will serve on the committee, as will Mr Steven Golub, named chief financial officer, and Mr Melvin Heineman, chief administrative officer.

Mr Rattner's elevation comes despite widely publicised discord with Mr Rohatyn, sparked or aggravated by an article in Vanity Fair magazine in 1994 which touted Mr Rattner as the likely successor to Mr Rohatyn.

Last year, the Lazards houses came fourth in the global ranking of advisers on mergers and acquisitions.

Semiconductor prices hold back NEC

By Michio Nakamoto in Tokyo

Telecoms and computer equipment sales fail to offset decline in its chip division

NEC, the integrated electronics group, suffered a 20 per cent decline in group pre-tax profits as strong sales of telecommunications equipment failed to offset a large decline in its semiconductor business.

In the year of mixed performances from its different divisions, the company increased sales by 13 per cent to ¥1,948bn (\$43.3bn), and net profits rose by 19 per cent to a record ¥91.6bn. However, the sharp plunge in semiconductor prices dented pre-tax profits, which fell from ¥151.3bn to ¥121.2bn.

NEC enjoyed robust sales in its telecoms equipment business, which was supported by the surge in Japan's cellular phone market. Last year, subscribers exceeded the 10m mark, prompting massive capital investment by cellular phone operators.

The company, which is a leading telecoms equipment supplier, enjoyed strong demand not only from cellular phone operators but also from corporations to meet the growing call for network links, such as to the Internet. As a result, the telecommunications division increased sales by 38 per cent.

The computer division also continued to grow, with sales rising 7 per cent in the year. NEC is Japan's largest domestic supplier of personal computers but has been losing

ground to competitors in recent years. Growth in its computer division was far below the overall 26 per cent growth in the market.

Sales of electronic devices, including semiconductors, fell 7 per cent. However, NEC did not suffer as much as many other companies because it shifted quickly to advanced, higher value-added memories. The company depends on memories for 30 per cent of semiconductor sales, but system LSIs, which are higher margin products, make up 56 per cent of sales.

NEC expects semiconductor sales to rise significantly next year and is expanding produc-

tion, particularly of advanced 64-megabit chips.

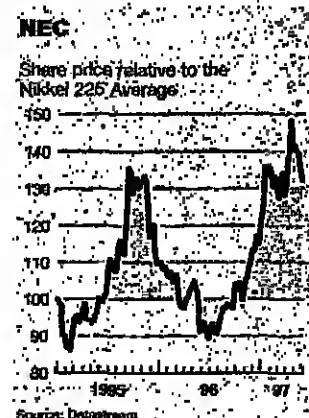
Overall production of semiconductors for the group is forecast to rise from ¥1,100bn last year to ¥1,300bn this year. Memory chip production is also expected to rise from ¥330bn to ¥420bn.

As a result, in spite of slower telecoms sales and flat computer sales this year, the company forecasts turnover to rise to ¥5,500bn in the current year, pre-tax profits to increase to ¥180bn and net profits to reach ¥92bn.

Japan's consumer electronics group reporting profits yesterday benefited from a weaker yen and firm demand

for many of the components they supply. But they continued to suffer from downward pressure on the prices of consumer electronics products.

Matsushita to invest ¥470bn after record sales, Page 28



Source: Dataquest

Qantas aircraft refit may launch in-flight gambling

By Nikki Tait in Sydney

Australian airline Qantas yesterday announced plans for a \$550m (\$430.8m) refurbishment of its fleet.

The airline, which is 25 per cent owned by British Airways, also said it was considering introducing in-flight gambling.

The refurbishment money will be spent over the next three years, although Mr James Strong, managing director, said the cost would be merged into Qantas' balance sheet over the life of the equipment.

The most expensive change will be the introduction of interactive seat-back videos throughout international econ-

omy, business and first-class seats. Executive said this would cost around \$800m and could provide the gambling facility.

Mr Geoff Dixon, executive general manager, said the investment was being made "for competitive reasons". He added that Qantas had already been talking to Australia's federal government over the possibility of using this to provide gambling facilities.

The business case [for the interactive investment] doesn't include gaming, but it would be very important for our bottom line," he said.

Other elements of the upgrade include redesigned seating which will provide beds for first-class passengers

but enable the carrier to add additional seats in the economy section.

The airline is also expected to make an announcement about Jetset Travel, the local travel agency company, "in the next week or so".

Jetset is owned half by Air New Zealand and half by Mr Ist Leibler, a Melbourne-based businessman. Air NZ has given Mr Leibler an option to buy out its stake, and he is rumored to have had talks with Qantas about selling on the interest for up to \$80m.

Mr Dixon confirmed that discussions had been taking place but appeared to play down the outcome. He said assumptions that Qantas would definitely buy were wrong.

Losses at IBJ's London arm

By Gillian Tett in Tokyo and William Lewis in London

The London branch of Industrial Bank of Japan, one of the country's largest financial institutions, has made a \$120m loss from derivatives trading in recent years.

The loss, which IBJ admitted yesterday, is the latest in a series of financial embarrassments for the global banking industry from trading or accounting errors in derivatives markets.

In March NatWest Markets, the investment banking arm of National Westminster Bank, said it had suffered a \$90m (\$148m) loss from the mispricing of fixed income swaps over a two-year period.

IBJ, which has launched an internal investigation into its losses, stressed they did not

involve wrongdoing, and said that they had been incurred on the entire portfolio, rather than in any one transaction. The bank has reported the losses to both the UK and Japanese financial authorities.

The loss came to light, the bank said, because it was reforming the way it presented its accounts to come into line with global standards. Worldwide, the total net loss as a result of these changes - booked by IBJ as a one-off adjustment - is \$50m.

The London losses involve interest rate and currency swaps transactions undertaken by IBJ traders.

The admission highlights the potential impact of accounting reforms under way in Japan's financial sector, and is likely to fuel concern about whether other large losses

may come to light as a range of Japanese financial institutions take similar steps.

In particular, many banks and securities companies are now moving to using market prices, rather than purchase prices, for measuring the value of their portfolios. This is part of the government's plans to introduce a "Big Bang" financial deregulation to Tokyo's markets.

IBJ, which is Japan's largest long-term credit bank, said it had been introducing the new accounting method, known as "mark to market" from April 1 this year. The full impact of this would be shown in the current year's results. IBJ is due to report its 1996 results but said that the recently discovered losses would not have an impact on them.

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INSTRUMENTS FOR PROFESSIONALS

COMPANIES AND FINANCE: THE AMERICAS

Daimler-Benz may increase US output

By Hag Simonian and
Graham Bowley in
Tuscaloosa, Alabama

Daimler-Benz, the world's leading luxury carmaker, is studying plans to build more vehicles in the US and Asia as part of efforts to raise output from 600,000 to more than 1m units a year.

Mr Jürgen Schrempf, chairman, said in an interview he was "looking at the Asian market in the widest sense of the word". Among

the projects being considered is building in Asia the compact A Class car, to be launched in Europe in October.

Daimler-Benz is also examining making in the region a light truck range, which is under development at its US Freightliner subsidiary, as well as broadening its US presence, possibly by selling versions of the A Class.

Sales in the first four months of year have confirmed the strong growth

prompted by the expansion of its model range last year. Unit sales climbed by 7 per cent to 219,000, compared with the previous year, and turnover rose by 12.6 per cent to DM16.5bn (\$9.7bn), reflecting the higher value of the new vehicles.

Speaking at the opening of its new \$300m car plant in Alabama, Mr Schrempf said he was confident US car sales this year would be "well above" 100,000, compared with 86,000 in 1996.

His confidence was boosted by the debut of the M Class sports utility vehicle, built exclusively in Alabama. The new factory, Daimler-Benz's first full car plant outside Germany, will make about 70,000 vehicles in its first year.

Mr Schrempf confirmed the company planned to raise capacity to about 100,000 in a second phase, subject to demand. "We know 70,000 might not be sufficient and we may have

to raise that," he said. However, he denied reports that there were plans for a second vehicle.

The plant comes about two years after BMW, Daimler-Benz's arch rival, inaugurated its factory at Spartanburg in South Carolina and while Audi, Volkswagen's Audi executive cars subsidiary, is looking for sites, including in the south-east US.

All the German manufacturers, which export in large

quantities to the US, are diversifying into new products, such as sports utilities and convertibles, and to reduce their exposure to currency fluctuations.

Both manufacturers received large incentives to locate in the south east. In the case of Daimler-Benz, the public and private sectors contributed about \$350m to attract the new plant, excluding a commitment by the state to buy 2,500 M Class vehicles.

Telephone sell-off creates a buzz

Brazil's latest break-up is attracting the top brass despite expected problems

To buy a new telephone line in one of Brazil's main cities, you have two choices. You can go on a two-year waiting list and continue to use public call-boxes. Or you go to someone like José.

Mr José Ferreira Junior runs Prestel, one of the hundred or so companies in São Paulo that buy and sell telephone lines on the perfectly legal and highly sophisticated parallel market. Depending on location, a new line can cost anything from \$2,000 to \$5,000.

Prestel and its competitors bridge the gap in Brazil that separates demand for telephones and supply. "This business only exists because the local phone company cannot meet the demand for new lines," he says.

If Mr Sérgio Motta, Brazil's ebullient minister for communications, has his way, José and his 10 staff will soon be out of a job. Mr Motta plans to break up Telebrás, the state holding company, into a number of units, one being Embratel, the long-distance and international operator, for privatisation by 1999.

He believes the asset sales could raise about \$35bn for the government and that the process will attract investment of up to \$100bn over the next six years.

Mr Motta, or "Sergão" as he is known, occasionally courts controversy and is under fire after a local newspaper linked him to a vote-buying scandal in Congress.

However, analysts agree that the figure for investment could be huge.

It is not hard to see why. Years of neglect of the infrastructure has left Brazil with the lowest telephone use in Latin America. It has 9.3 lines per 100 people, compared with an average of 18.6 in the continent and 62 in the US. That unsatisfied demand is aggravated by the consumer boom generated by three years of anti-inflationary economic reforms.

Analysts estimate that with the help of private investment the number of lines will nearly double from 13.5m at the start of this year to 26m by 2001. The projections for cellular subscribers are even more dramatic, with the number of subscribers expected to jump from 2.5m to nearly 12m by 2001.

"It is probably the market with the most development potential," says Mr Roberto Peón, president for Latin America at BellSouth, the US telecommunications company.

The repressed demand has also prompted investment in related communication areas. "This is the fastest growing part of the market in terms of telephone paging equipment," says Mr Larry Conley, vice-president of Motorola of the US.

The privatisation process has already begun with the collection last month of bids for 10 regional cellular phone concessions (known as "band-B"). The industry's top brass, including AT&T, Airtouch and BellSouth of the US and Stet of Italy, are all part of consortia waiting for the results next month.

However, if any of these

Brazilian telecoms dialling up growth



rosy predictions are to be realised, Mr Motta has a lot of work to do. The Brazilian Congress has only recently begun the painstaking process of analysing the legislation that will establish the new industry structure and an independent regulator.

Moreover, many of the key issues affecting foreign investment have yet to be firmly established and some are likely to be left to the regulator. Mr Motta plans to divide Telebrás into four regional units (nicknamed "Babybrás" companies), however, apart from the state of São Paulo constituting one region, the eventual make-up of these companies is unclear.

More important, the level of competition Babybrás operators will face is uncertain, including the period when others will be excluded from the market. The price of interconnection charges

between networks and the division of charges on international calls between local companies and the long-distance operator are other grey areas, analysts say.

Mr Motta insists that the new system will encourage a high level of competition. However, he will be under pressure from parts of the government to make the terms of the new franchises as attractive as possible to bidders to maximise the revenues.

Another thorny issue still to be resolved is the rights of Telebrás' existing minority shareholders will have in the newly merged regional companies.

"A lot of important questions are still left outside the legislation," says Mr Patrick Jurczak, Latin America telecoms analyst at ING Barings in New York.

Political opposition from vested interests, the slow progress of legislation

through Congress and the general tendency for Brazilian privatisations to miss deadlines, lead analysts to believe that Mr Motta's timetable is optimistic.

However, unlike the privatisation of mining giant CVRD, the sale of Telebrás is unlikely to prompt such popular opposition from customers who are only too well aware of its weaknesses.

The fate of businesses such as Prestel will be an indicator of how successful Mr Motta is in encouraging new investment. Mr Ferreira Junior believes the parallel market will be around for another four years. But he adds: "It is a very delicate situation. No one knows exactly what is going to happen."

Geoff Dyer
This is the third in a series on Brazilian privatisation. Previous articles have appeared on April 29 and May 14.

Santa Isabel founder to sell stake

By Imogen Mark in Santiago and Ken Wain in Buenos Aires

Mr Eduardo Elberg, the founder and majority owner of Santa Isabel, the Chilean supermarket chain, has agreed in principle to sell his 87 per cent stake to the Valox Group in Argentina for about \$230m.

Velox, an investment group headed by Mr Juan Peirano, the Uruguayan businessman, controls Disco, a similar-sized Argentine supermarket chain, through its 45 per cent shareholding.

Santa Isabel, the second-biggest Chilean supermarket operator, said it expected to finalise the deal within 10 days.

The two businesses would remain completely separate, with their own existing managements and corporate structures, but would share "industry knowledge and capabilities, including marketing, information technology, regional buying power and logistics and distribution."

Mr Todd Chesson of ING Barings in Buenos Aires said: "The most tangible benefit of the alliance would be their combined purchasing power."

However, Mr Elberg's apparent departure from Santa Isabel raises questions among Chilean investors about its future high growth potential, said Mr Juan Sommer, a senior analyst with HSBC James Capel in Santiago.

Mr Elberg has been the driving force behind the Santa Isabel chain. It started as a corner store in Valparaíso in 1975, and now has 64 supermarkets in Chile, 12 in Peru, four in Paraguay and one due to open in Ecuador this year.

Sales last year were \$733m, and it has a market value of \$500m. About 47 per cent of the company is held by foreign investors through American Depositary Receipts in New York.

Over the past year, Mr Elberg had been looking for a strategic partner to help strengthen his position in the competitive Santiago market - Santa Isabel stores are mainly in the provinces. However, the company will "continue its search for an international hypermarket operator with which to form a joint venture for the development of a hypermarket format", it says.

Santa Isabel has an estimated 13 per cent share of the Chilean market. The number one operator, DYS, has 19 per cent.

Disco's core operations are small, up-market supermarkets in downtown Buenos Aires. They offer services such as free home delivery, telephone ordering and a customer loyalty programme - Argentina's first.

This month Disco reported first-quarter net income of \$4.85m, 30.8 per cent ahead of the previous year.

Richard Tomkins

Ticket to future success for HSN

It's a long way from Hollywood to the hum-drum world of transaction processing, but Mr Barry Diller, the US entertainment executive, seems happy enough to make the journey.

This week Mr Diller, chairman and chief executive of HSN, the home shopping and television broadcasting company, announced that his company was taking a controlling stake of just over 50 per cent in Ticketmaster, by far the highest US ticketing agency, in a deal worth about \$210m.

The two companies will continue to operate independently - Home Shopping Network offering end-to-end sales pitches on television for jewellery and other goods, while Ticketmaster sells tickets for sports events, movie theatres and pop concerts.

To that extent, they may seem to have little in common. But Mr Diller said the high attraction of the deal was that both were in much the same business behind the scenes: processing millions of transactions a year to fulfil people's orders for goods.

Mr Diller, once head of Paramount Pictures in the

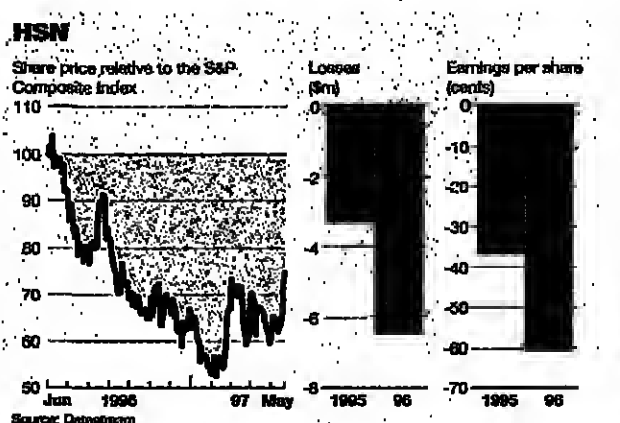
days when it was turning out movies like *Raiders of the Lost Ark*, built his reputation as a television executive by turning News Corp's Fox into a fourth national television network, defying industry opinion that the venture was doomed.

He left Fox in 1993 to join the QVC Network home shopping channel and used this company in an attempt to take over Paramount Communications, parent of Paramount Pictures. But he was defeated in a bid battle with Viacom, the cable television company, and subsequently failed in an attempt to take over the CBS television network.

Two years ago, after leaving QVC, Mr Diller took a controlling stake in Silver King, a television company the main output of which was the Home Shopping Network service.

He then merged Silver King with Home Shopping Network and renamed it HSN: he is using this new company as a vehicle for his ambitions.

The biggest single component of HSN's business is shopping by television, but it has not been particularly profitable. Plagued by heavy



returns of unsatisfactory goods, the former Home Shopping Network made a net loss of \$61.9m in 1996.

However, Mr Diller appears to be turning it around: last year sales rose 14 per cent to \$894m, partly reflecting a decision to pitch less expensive goods customers could more easily afford; and with the return rate down from 25.8 per cent to 21.3 per cent, the business made net profits of \$20.6m.

Meanwhile, Mr Diller's ambitions for a return to mainstream television remain intact. Starting in Miami early next year, he plans to

change the chain of 16 broadcast television stations he owns or controls from vehicles for the Home Shopping Network to outlets for a new kind of service that will produce an alternative to the ones offered by existing broadcasters.

Details are sketchy, but the concept embraces a mix of news, investigative reporting and features with a high local content. If that does not work, Mr Diller says, he will try another concept. The Home Shopping Network will transfer to cable.

Start-up costs in television are high, so Mr Diller is at an advantage in having the

cash flow from the home shopping business to help him through this phase.

And by taking control of Ticketmaster, Mr Diller believes both companies will benefit by merging their transaction processing operations.

Home Shopping Network and Ticketmaster alike have spent 15 years in the transaction processing business, and Mr Diller believes they are well placed to offer their expertise to other companies wanting to outsource their transaction processing to an operator that can do it more efficiently than they can themselves - not least, because electronic retailing is growing so quickly.

"It's our feeling that the wind is at the back of electronic retailing," Mr Diller said this week. "In the next several years, the ability to organise and offer transactional expertise to others as electronic commerce grows will be a truly large business, and what we can learn from each other and what we can each contribute in terms of that expertise ought to enable each company to grow faster."

Richard Tomkins

AMERICAS NEWS DIGEST

Hartford Life offer beats predictions

The Hartford, the Connecticut-based insurer previously known as ITT Hartford, yesterday completed the \$750m initial public offering of Hartford Life, its subsidiary, in a deal intended to improve its shareholder value. The offer was oversubscribed and the shares gained swiftly in early morning trading yesterday. By lunchtime, they had reached \$324, more than 15 per cent ahead of the initial price of \$284, ahead of analysts' original predictions.

Hartford Life will still be controlled by The Hartford, as the offering represents only a 18.8 per cent of the company - which could rise to 18.8 per cent if underwriters exercise their option to make more shares available for sale. Hartford's shares fell \$1 to \$78, almost exactly its level when its intention to make the float was first announced in early February.

However, the move helps it by establishing a market value for its life business. It was also helped by strong sentiment in the market towards life insurers, which are thought likely to benefit from demographic factors, with the "baby boom" generation of Americans beginning to enter the last decade before retirement.

John Authers, New York

Apple to reveal Newton plan

Apple Computer was yesterday preparing to announce plans for the disposition of its loss-making Newton handheld computer business, following lengthy efforts to find an investment partner or buyer. The computer company declined to discuss the Newton business in advance of a press conference yesterday. According to some reports, however, it planned to turn the Newton division into a wholly-owned subsidiary. This is seen as a prelude to the sale of all or part of the Newton business, which has become a drain on Apple's dwindling resources. Apple has lost \$1.6bn in the past six quarters and does not expect to return to profitability until later this year.

A European telecommunications company is understood to have shown strong interest in Newton, but it was not clear yesterday morning whether a deal had been agreed. Apple is believed to have held talks with several US and Asian computer manufacturers. If the division is sold, it is expected to retain licences to use the Newton technology. Louise Kehoe, San Francisco

J & J in \$310m buy

Johnson & Johnson, the consumer and healthcare products group, said yesterday it had reached a definitive agreement to acquire Biopsys Medical in a stock swap valued at \$310m. Biopsys develops and manufactures products for diagnosing and treating breast cancer, including a minimally invasive procedure for acquiring multiple breast-tissue samples.

Johnson & Johnson would issue stock for each Biopsys share equal to \$27.55 divided by the Johnson & Johnson average closing share price over a specified 30-trading-day period. On Wednesday Johnson & Johnson's shares closed at \$59.9, down 1 1/4%; Biopsys shares closed at \$25.5, up 8%.

AP-DJ, New Jersey

Hudson's Bay eyes Kmart units

Hudson's Bay, Canada's largest department store chain, is preparing a bid for 36 Kmart Canada stores and is considering buying 10 Eaton's outlets, Mr George Kosich, president, has said. His announcement comes amid a shake-up in the Canadian retail business, which was rocked in February when Eaton's filed for protection from creditors. The struggling 123-store Kmart Canada chain has been put on the block by its US parent company.

Hudson's Bay, which owns 101 Bay outlets and 296 discount Zellers stores, was considering acquisitions as there were no new shopping malls slated for construction in the near future, Mr Kosich said. Eaton's is protected until the end of June as it attempts to restructure and attract new investors to turn the operation around. Hudson's Bay reported C\$6.8m in cash and more than C\$1bn in long-term debt as of January 31. Profits were up slightly at C\$36.1m on sales of \$6bn.

Scott Morrison, Vancouver

Bombardier advances 9%

Bombardier, the Canadian transportation equipment manufacturer, reported a 9 per cent increase in net income to C\$83.5m (US\$61.1m) for the quarter ending April 30. Revenues were C\$1.66bn, up almost 4 per cent over the same period last year. Profits rose due to strong performances in each of the company's sectors, said chairman Mr Laurent Beaudoin. Revenues were expected to increase at a faster rate in the third quarter, he said.

Bombardier, a leading producer of subway cars, aerospace and motorised consumer products, was recently awarded a contract to supply light rail vehicles to Stockholm's mass transit operator.

Scott Morrison, Vancouver

Unibanco makes NY debut

Unibanco, the third biggest private bank in Brazil, made its debut on the New York Stock Exchange in heavy trade. In late morning Unibanco's American Depositary Receipts were at \$34.4 after being priced at \$33.7. Volume was 4.9m ADRs, making Unibanco the second most active share on the exchange.

Unibanco, the first Brazilian bank and the third Brazilian company to list on the NYSE, is offering 28.5m units outside Brazil as part of a global offering, with 20.6m being offered in the US.

Reuters, New York

Anheuser lifts Mexican stake

Anheuser-Busch, the US brewer, has increased its stake in Grupo Modelo, the Mexican brewer, to 37 per cent. Anheuser invested an additional \$606m, bringing its total investment in Grupo Modelo to more than \$1bn.

Reuters, St Louis

Nedlloyd

Dividend payment

The Annual General Meeting of Shareholders of Royal Nedlloyd N.V. resolved on 21 May, 1997 to adopt the Financial Statements for 1996. In consequence, a cash dividend of Dfl 1.25 per share of Dfl 10 nominal value will be paid over the financial year 1996.

As of 30 May, 1997 the dividend of Dfl 1.25 per share, after withholding 25% dividend tax, will be paid at the Head Office of Kas-Associatie N.V., MeesPierson N.V. or ABN-AMRO Bank N.V., all at Amsterdam, or at Commerzbank A.G. at Frankfurt am Main, Germany.

Dividend coupon nr 6 has been designated for this payment. The dividend will be made available to holders of CF-documents through the intermediary of the institutions where the coupon sheets were kept on 21 May, 1997 after business hours. Holders of registered shares will receive advice from the company regarding the payment of dividend.

Rotterdam, 23 May, 1997.

Executive Board

Royal Nedlloyd N.V. - Boompjes 40 - 3011 XB Rotterdam
Tel: 31 10 400 6811 Fax: 31 10 400 6475

THE NEW BRUNSWICK
AND CANADA
RAILROAD COMPANY

Notice to Shareholders

The Annual and Special Meeting of the Shareholders of The New Brunswick and Canada Railroad Company will be held in The Conference Room, One Chocolate Drive, St. Stephen, New Brunswick, on Monday, June 16, 1997, at 11:00 a.m., Atlantic Daylight Saving Time, for the following purposes:

- 1) the presentation of the financial statements;
- 2) the election of directors;
- 3) the appointment of the auditors of the Company;
- 4) to consider and, if thought advisable, to pass a special resolution reducing the stated capital of the Company for the purpose of making a distribution to the shareholders; and
- 5) to transact any other business that may properly come before the meeting or any adjournments thereof.

BY ORDER OF THE BOARD
CALGARY, Alberta, R.V. Horte
May 23, 1997 Assistant Secretary

FIDELITY INTERNATIONAL
INVESTMENT MANAGEMENT
(LUXEMBOURG) S.A.

Société Anonyme
Kansallis House, Place de l'Etoile,
B.P. 2174, L-1021 Luxembourg

To the shareholders of
NEW EUROPE FUND
(Fonds commun de placement)

By decision of Fidelity International Investment Management (Luxembourg) S.A., as management company of New Europe Fund, with the approval of Kredietbank S.A., Luxembourg, as custodian, New Europe Fund will be dissolved as of 31st May, 1997. Liquidation proceeds will be paid on to shareholders by the custodian upon instruction of the management company. Payment is expected to be made on 2nd June, 1997.

Proceeds which cannot be paid to shareholders on such date will be deposited in escrow at the Caisse des Consignations in Luxembourg.

Luxembourg, 20th May, 1997

Fidelity Investments

ALCOA OF AUSTRALIA LIMITED

A.C.N. 004 879 298

Notice of Hearing

Notice is hereby given that an application made to the Supreme Court of the State of Victoria on 1 May 1997 for an order confirming a special resolution reducing the capital of the above-named company from \$1,000,000,000 divided into 1,000,000,000 shares of \$1.00 each (of which \$415,400,000 comprising 415,400,000 ordinary shares is issued and fully paid up) to \$277,800,000 divided into 1,000,000,000 shares of \$0.2778 each (of which \$115,398,120 comprising 415,400,000 ordinary shares is issued and fully paid up) is directed to be heard at the Law Courts, 210 William Street, Melbourne on 30 May 1997 not before noon.

Any creditor may attend at the hearing of the application and oppose the application.

Blake Dawson Waldron
Solicitors for the Company
101 Collins Street, Melbourne, Victoria 3000
Australia

COMPANIES AND FINANCE: EUROPE

Agfa covets Du Pont's film unit

By Michael Peel and Jenny Luesby

Bayer's ailing films business, Agfa, is in talks with Du Pont about buying the US group's \$600m film business. The German group said yesterday it hoped to have concluded a takeover by the beginning of next year.

Neither business has been performing satisfactorily. Agfa accounts for 15 per cent of Bayer's sales. However, last year, even after heavy restructuring, it showed a return on sales of 3 per cent, against the group average of 2.3 per cent.

Mr Manfred Schmeller, chairman,

said in March it was essential the group made "further lasting improvements in productivity" at Agfa.

Du Pont has taken a similarly tough line on its own films and printing plates business. "The business has not been performing well for a long time," said Du Pont yesterday, "and it does not represent a great fit for Du Pont".

The Du Pont business could, however, provide a solution for Agfa. The merger would extend Agfa's graphics systems operation, which accounted for just under half of the film group's sales of DM7.47bn

(\$4.42bn) in 1996.

"This is part of our core business and I think we can strengthen it," said Dr Hartmut Hilden, an Agfa official. "With this acquisition we will be bigger and more competitive in terms of products and sales force and we will have a better market share."

Agfa said it had not yet decided how it would run the newly merged business, or the level of cost-cutting. It expected to "hire most of the employees" taken on from a deal with DuPont.

With sales last year of around \$500m, the Du Pont business

employs 2,200 at four European production sites. Three of these are in the UK, at Leeds, Margate and Thetford, and one in Neu-Isenburg in Germany.

Dr Hilden said Agfa was confident it could improve on the poor results achieved recently by both companies. "The competition is very hot in this sector but it's still a growing market," he said. "The addition of the Du Pont business will make the business bigger and more successful."

Bayer's share price closed up DM1. at DM65.40, on news of the planned merger.

López restarts motor career

By David White in Madrid

Mr José Ignacio López de Arriortúa, the former motor executive accused of taking company secrets from General Motors of the US, may be on the point of relaunching his career in the car industry.

The 56-year-old Spanish Basque engineer, popularly known as "SuperLópez", has held talks about the purchase of a former Suzuki plant making four-wheel drive cars at Linares in southern Spain, regional officials said yesterday.

At least one meeting had been held with Mr López and a group of Basque business associates, although no firm offer was on the table, they said. The group was one of "three or four" possible contenders for taking over the plant.

Mr López, celebrated for treating workers as "warriors" and prescribing diets for their fitness, faces charges in Germany for betraying corporate secrets when he moved to Volkswagen in 1993 from his post as purchasing chief at General Motors. Executives who moved with him face similar charges.

Under a settlement with GM, which filed a civil suit, Volkswagen agreed earlier this year to pay \$100m and purchase \$1bn worth of General Motors parts. This followed Mr López's departure from the German group. He currently runs a consultancy firm.

The Linares factory, called Santana Motor, is under the interim control of regional authorities. They took 84 per cent of the capital when Suzuki pulled out two years ago after a long conflict over the future of the plant and failed efforts to sell it.

EUROPEAN NEWS DIGEST

Pro Sieben ahead 34% in first term

Pro Sieben, the German media company which is preparing for a DM1bn (\$980m) flotation of preference shares in July, said yesterday first-quarter sales rose 17.5 per cent to DM479m. Pre-tax profits climbed 34 per cent to DM84m. Mr Georg Köfler, chief executive, said the company expected 1997 to show an improvement on last year's turnover of DM1.69bn and pre-tax profits of DM177.6m.

Regarding the forthcoming flotation of 17.5m non-voting preference shares, Mr Köfler said the offer price would be set on June 23 and the shares would start trading on July 7. Mr Köfler also sought to address fears about management independence at the company, which is controlled by Mr Thomas Kirch, the son of the Munich-based media mogul Mr Leo Kirch, who supplies some 45 per cent of Pro Sieben's programming. Competitors have alleged that Pro Sieben's future profitability is vulnerable to the financial needs of Mr Leo Kirch, who has run into difficulties recently with the development of a digital pay-TV network. Mr Köfler denied that there was a conflict of interest.

Frederick Stüdemann, Berlin

Veba targets overseas sales

Veba, the German power and industrial group, plans to spend DM12.4bn (\$7.3bn) in overseas investments over the next five years, Mr Ulrich Hartmann, chairman, said yesterday. Speaking at Veba's annual shareholders' meeting, Mr Hartmann said the sum represented 40 per cent of the group's total investment budget. He said he expected the investments to help overseas sales double over the next six to eight years to 50 per cent of total turnover.

Reuters, Essen

Iri back in the black

Iri, the Italian state holding company, yesterday announced a 1.84bn (\$1.1bn) return to profit in 1996 after losses totalling 1.16.800bn in the previous four years. The turnaround came despite heavy losses at Alitalia, the national airline, and Finmeccanica, the industrial and high technology holding. It was largely because of a 1.3.500bn profit on the book value of its 62 per cent stake in Stet, the state-controlled telecoms group, which was transferred to the Treasury.

The Treasury was obliged to purchase Iri's Stet stake to try to meet a 1993 agreement with the EU to reduce the holding company's net debt to about 1.5.000bn by the end of 1996. Iri managed to reduce net debt, through restructuring and sell-offs during the year, to 1.3.400bn from 1.22.500bn.

Robert Graham, Rome

Intermarché in German buy

A group led by French supermarket chain Intermarché has paid DM1.5bn (\$85m) for a controlling 75 per cent stake in German retail chain Spar Handels. Adviser Translink said last night the deal would give Intermarché 4,000 stores across Germany with annual sales of DM21.6bn.

Mark Mulligan

Olivetti seeks strategic investors

By Paul Betts in Lyons

Olivetti, the struggling Italian information technology group, said yesterday it was seeking strategic investors to help its longer-term recovery.

However, chief executive Mr Roberto Colaninno ruled out a new capital increase.

The new Olivetti chief yesterday launched the latest stage in his recovery strategy by presenting in Lyons to 700 international customers the group's new information technology systems and solutions subsidiary, renamed Olis.

The unit, with annual

sales of 1.4.500bn (\$2.7bn), accounts for more than half the group's turnover and expects to show a small pre-tax profit this year. In the first half it is expected to report a pre-tax loss of about 1.28bn, after a first-quarter loss of 1.38bn and a profit of 1.01bn in the second quarter.

Olis will constitute one of Olivetti's two core businesses, together with telecommunications.

Mr Carlo De Benedetti, former Olivetti chief executive who resigned last year after financial and shareholder turmoil, is still Olivetti's single biggest shareholder

with a stake of just over 6 per cent.

But Mr De Benedetti, who at one stage controlled about 24 per cent of the company, has made clear he wants to reduce his stake to 5 per cent and take a less active role to enable him to concentrate on his other industrial interests grouped around his Cir holdings.

Olivetti's new group of shareholders, if constituted, would not control the company, which Mr Colaninno wants to keep public.

Analysts are sceptical, however, that such a group will emerge. Mr Max Casini, Italian specialist with Flem-

ings Research in London, said: "People are going to approach this with a great deal of caution."

Mr Colaninno yesterday quashed speculation that Olivetti was in talks with Italian television group Mediaset on a link-up with the Omnitel business. Rumours of the talks had driven the Olivetti shares to a high of 1.530 before the denial, from Wednesday's close of 1.517.2. They closed yesterday at 1.511.

Mr Colaninno said Olis was also seeking strategic partners and did not rule out that Olivetti might shed a stake in Olis.



Roberto Colaninno: ruled out a new capital increase

Lenzing struggles in tough fibres market

By Jenny Luesby

Lenzing, one of the world's largest viscose producers, yesterday cancelled its dividend as it unveiled losses of Sch30.3m (\$2.54m) incurred in one of the "most difficult" years in its history.

The Austrian company said it had been hit by a triple reversal in the world's viscose industry.

Global demand for the man-made fibre fell 8 per cent last year, the group said.

This followed a temporary boost in demand over the previous two years as fabric makers switched to viscose during a cotton shortage. However, there was now a sufficient supply of cotton at average prices, said Lenzing.

Meanwhile, a rapid expansion by new viscose manufacturers in Asia had created a glut of the fibre.

Lenzing had taken part in this growth through its Indonesian associate, South Pacific Viscose. And despite both declining demand and

prices it had proceeded with its own Asian expansion, opening a third production line at the beginning of this year.

In Europe on the other hand, several producers, including Courtauld of the UK, Lenzing's closest rival, have closed older factories, cutting regional capacity by a fifth.

Much to the ire of the rest of the industry, one of these factories is about to reopen with the help of Spanish state funds. But Lenzing ech-

ed Courtauld's warnings of the previous day when it said more closures would inevitably follow.

The biggest problem for all viscose producers remains the rock-bottom prices for the fibre. These were at their lowest level since 1980, said Lenzing.

The decline had been worst in Asia, where "even low cost fibre producers suffered losses in 1996 as a result of the dramatic price collapse."

But European producers

had also been affected.

Lenzing only makes cellulosic fibres, of which viscose is by far the most important. As a result, group sales fell from Sch3.7bn the previous year to Sch2.78bn. The pre-tax loss of Sch30.3m compared with a pre-tax profit of Sch313.6m in 1995.

Lenzing said it foresaw no improvement this year. But it hoped that a drastic cost-cutting programme, involving around 500 job cuts, would generate savings of Sch500m by 1998.

Mediobanca at a crossroads

The Italian bank is becoming isolated in the fast-changing industry

Mr Enrico Cuccia, at 69, has a regular routine. At 8am every day he goes to buy his newspapers, walks to old-fashioned tea rooms in Milan's chic Via Montenapoleone, has a coffee at the bar, speaks to no-one, and then walks to his office at Mediobanca, behind the Scala opera house.

His small, bent silhouette has become the most potent symbol of Italian family capitalism. For the secretive Mr Cuccia has acted during the past half century as the great conductor of Italy's northern industrial and business "dynasties" - a sort of Toscanini of the country's private sector.

These days, however, his carefully crafted, world of closely-knit business interests appears to be crumbling. Only this week, Banca Commerciale Italiana (BCI), Mediobanca's commercial banking ally, was thwarted by the smaller Ambroveneto in a bid to link with Cariplo, Europe's largest savings bank.

The deal, had it been successful, would have expanded Mediobanca's sphere of influence in the country's rich industrial north at a time when the banking sector is undergoing a radical change and facing greater international competition.

Not only are Mediobanca's traditional Italian and international rivals questioning its strategy and future, but Italian Treasury officials whisper that the bank is losing its touch.

Government officials say it was showing its age as early as 1993, during the privatisation beauty contest between investment banks. Although it has preserved a strong international reputation as the country's only real merchant bank, hardly a week passes without some newspaper reports on the waning influence of Mediobanca.

But some say Italians are too keen on building up financial and industrial figures as if they were football players, only to cut them down. "A lot of superficial nonsense is said and written about Mediobanca and the all-powerful and seemingly eternal Mr Cuccia," said a banker with a big US investment house.

"Compared with many other Italian financial institutions they still have some of the brightest people, they still reign over the domestic rights issue market, and you will still find their hand in



Enrico Cuccia: a Toscanini of the country's private sector

most big Italian corporate deals."

But no-one can deny that Mediobanca does have problems. The past few weeks have been a Calvary of sorts for the bank. What seemed to mark a triumphant comeback with the proposed merger between the Marzotto textile group and HPI, the industrial holding company of the so-called "salotto buono" - or fine salon - of Italian private business, has turned into a public relations disaster with Marzotto deciding at the last minute to pull out.

The recent alliance engineered by the bank between Rinascente, the retailing group controlled by the Agnelli Fiat family, and Auchan, the French supermarket chain, provoked a storm of protest from Rinascente minority shareholders and US and UK institutional investors.

Above all, Mr Cuccia's unusual reaction to the recent conviction on charges of illicit party political funding of Mr Cesare Romiti, the Fiat chairman and one of the country's most powerful industrialists, suggested some measure of panic in the salotto buono.

Mr Cuccia and a catalogue of leading business figures signed a letter published in the Italian business daily Sole 24 Ore expressing their

the problem of finding a successor of Mr Cuccia's calibre. Mr Vincenzo Maranghi, the bank's chief executive, continues to be overshadowed by Mr Cuccia's near mythical reputation.

As a result, the balance of power has shifted from the bank to its main partners and essentially its most powerful ally - Mr Romiti.

The Fiat chairman is a man of strong personality and ambition and has in recent years increasingly usurped Mr Cuccia's role in the salotto buono. But his interests in Fiat at times clash with those of Mediobanca. Before the uncertainties caused by his recent conviction, the Fiat chairman was widely seen as moving to Mediobanca after retiring next year from the car group.

In the past few weeks, Fiat's Agnelli family has also signalled its intention to diversify its Italian banking relationships. Its IRI and IRI holding companies have acquired a 5 per cent stake in Istituto San Paolo di Torino, Italy's biggest commercial bank. The Agnellis appear to be pressing San Paolo to forge closer links with IRI, a Rome-based investment bank, with a view to turning it into San Paolo's merchant bank.

Where does all this leave Mediobanca? "The solution is so obvious that it probably won't happen because we are in Italy," said an Italian banker echoing the views of many of his peers. For months there has been speculation that Mediobanca would return to its roots and be absorbed by BCI to become the merchant banking arm.

The ground work seems to have already been prepared for such a move. Last month, BCI elected a new board and a new chairman, but carefully avoided appointing a managing director to sit on the board. Instead, it appointed two general managers.

Although it dismissed suggestions that Mr Braggiotti of Mediobanca was being groomed as a future managing director, the position appears to have been kept open. This suggests that even the very heart of the Italian banking system is unlikely to escape the evolution of the species.

Paul Betts

TOTAL ANNUAL GENERAL MEETING

SHAREHOLDERS APPROVE RESOLUTIONS AT ANNUAL MEETING

TOTAL shareholders met on May 21, 1997 for their Annual General Meeting chaired by CEO Thierry Desmarest and passed the proposed resolutions. The 1996 accounts were formally approved, and the dividend was increased by 21% to 10.50 francs per share from 8.70 francs per share last year. The additional avoir fiscal tax credit associated with the dividend will be 5.25 francs per share. The ex-dividend date and the effective payment date for the shares will be from June 5, 1997. Shareholders approved the election of M. Daniel Bouton, CEO of Société Générale, and M. Bruno Ribeyron Montmarin, a manager at TOTAL, to the Board of Directors for a term of three years.

QUOTES FROM THE CHAIRMAN

■ In his address, M. Desmarest said,

"Our goal, which was to double our production outside the Middle-East between 1990 and 2000 will be achieved ahead of schedule in 1998"

With a clearly positive outlook for the Upstream segment today, I am confident that we will reach our production target of 1 million barrels of oil equivalent per day in the year 2000 and also maintain a high level representing about 15 years of production.

In Europe, we are continuing to reduce the breakeven point at our refineries, which is essential for a return to better profitability in the Downstream segment. In the United States, the alliance between our TOPNA refining and marketlog affiliate and US-based Ultramar Diamond Shamrock, announced in April, should allow for the capture of substantial synergies.

Finally, the Specialty Chemicals segment plays an important role in the stability of our operating income by contributing on the order of 20 - to - 25% of the combined results. Over the coming years, we will continue the steady growth of this third sector of activity, for which the results are largely independent of the petroleum cycles. Sales for this segment should grow to more than 30 billion francs by the end of the decade."

"The strategy to grow the company, which I just presented to you, is an integral part of our clearly defined policy to improve profitability. One year ago, standing before you, I announced a return-on-equity target of 10% in 1998, based on a prudent reference environment corresponding to the average market conditions in 1994 and 1995. In 1996 we achieved a return greater than 10%, helped in part it is true by a favourable market environment, but even if market conditions had been equal to our reference environment, we would have achieved a return higher than forecasted. Nonetheless, we project a target return-on-equity for the year 2000 of 12%, still based on our prudent reference environment."

■ Concerning the TOTAL's capital structure, M. Desmarest added,

"We are convinced that TOTAL is capable of financing its continuing growth and of maintaining its dividend

without resorting to a increase in capital. Our objective is to stabilize the number of shares and to this effect we propose three measures:

1. to pay the dividend entirely in cash and therefore not to propose the payment of the dividend in shares.
2. to be able to repurchase shares on the market that will be used to satisfy stock options rather than issue new shares.
3. to have the authority to cancel shares purchased in the market in the framework of market regulation.

In stabilizing the number of shares using the three measures described, we hope to allow our shareholders to fully benefit from the future growth of the company. I would like to specify on this subject, however, that it is our intention to proceed with a Public Offer to Repurchase Shares which is fiscally penalizing in France, and not appropriate of TOTAL, given the number of projects with good profitability that we have in our portfolio."

■ Commenting on the first part of 1997, M. Desmarest stated,

"Since the beginning of the year, the environment can be described as generally good, and we are benefiting as well from our growth and productivity efforts.

In the Upstream segment, exploration has yielded substantial discoveries, the most important being in Angola and in the North Sea. Production outside the Middle East continues to grow in an environment marked by a rapidly rising dollar and an oil price that has remained relatively strong.

In the Downstream segment, since the start of the year European refining margins though still volatile have been on average higher than they were a year ago.

The Chemicals have benefited from external growth in addition to favorable trends in exchange rates for the dollar and the pound sterling.

These different factors are reflected in the 26.3% increase in the first quarter sales for the Group.

Taking into account all of these factors, the operating income for TOTAL should increase by about 35% for the first half of 1997 versus the first half of 1996."



www.total.com

TOTAL SOCIÉTÉ ANONYME CAPITAL STOCK FF12,106,279,400 R.C.S. NANTERRE 3 542 051 180
HEAD OFFICE: TOUR TOTAL - 94 COURS MICHELET, PUTEAUX (HAUTS DE SEINE) FRANCE

COMPANIES AND FINANCE: ASIA-PACIFIC

Matsushita to invest Y470bn following record sales

By Michio Nakamoto in Tokyo

Matsushita, Japan's largest consumer electronics group, unveiled plans to substantially increase capital spending, as it reported a strong rise in profits helped by the yen's weakness and strong sales of communications equipment.

The group plans to invest Y470bn (\$4bn) this year, up 13 per cent from

last year. The bulk of the increase will go toward LCD production which will see a sevenfold increase in capital spending.

Sales in the year just ended reached a record Y7,975.9bn (\$67.19bn), an increase of 13 per cent. Pre-tax profits rose from Y76.6bn to Y332.1bn while net profits more than doubled from Y56.9bn to Y187.9bn. The sharp increase in profits came against a one-

time charge of Y184.2bn, arising from a foreign currency translation adjustment on the sale of its 80 per cent stake in MCA, the US entertainment group. Excluding the impact of that charge, pre-tax income was up 38 per cent and net income rose 28 per cent, the company said.

The group was helped by buoyant demand for cellular phone handsets as well as for PC peripherals, such as disk

drives and displays, in the domestic market. As a result, the communications and industrial equipment division saw sales rise 24 per cent.

Home appliances also sold well on replacement demand in Japan, where the consumption tax was raised from 3 per cent to 5 per cent in April. Car audio sales meanwhile supported an increase in the audio division while digital video camcorders helped the

video division to increase sales. Batteries also sold well on increased demand for rechargeable batteries which are used for portable equipment, such as the MiniDisc and personal digital assistants.

The yen was a big factor behind Matsushita's strong gain, contributing Y165bn to operating profits. The company also credited cost-cutting efforts for its better performance.

Nevertheless, the fall in semiconductor prices had an impact as did other price falls which led to a total decline in operating profits of Y340bn.

Looking ahead, the company expects strong demand for information-related products to help improve sales by 4 per cent to Y7,850bn. Pre-tax profits are forecast to increase 12 per cent to Y372bn while net profits are expected to rise 10 per cent to Y152bn.

Drugmakers shrug off price cuts

By Bethan Hutton in Tokyo

Six of Japan's main pharmaceutical companies have announced annual results better than forecast, in spite of government pressure on prices in the domestic market.

New products were a key factor in maintaining profits, as government-imposed price cuts apply only to established medicines. Overseas activities also improved with additional help from the weaker yen.

Takeda Chemical Industries, the Osaka-based market leader, reported its third consecutive profit increase. On an unconsolidated basis, recurring pre-tax profits grew 13.2 per cent to Y109.95bn (\$910m), while post-tax profit rose 20.9 per cent to Y50.05bn.

Exports were 31 per cent higher and Takeda reported strong sales of antibiotics. It plans to pay a full-year dividend of Y17.25, compared with Y15 a year ago.

Sales at Sanofi, Japan's second-largest pharmaceuticals maker, grew only 7.9 per cent to Y442.7bn, but recurring pre-tax profits rose 29.1 per cent to Y112.2bn, and post-tax profits 15.2 per cent to Y49bn.

Taiho Pharmaceutical's recurring pre-tax profit set a new high for the third year running, climbing 8.9 per cent to Y67.4bn, while after-tax profit grew 4.3 per cent to Y33.4bn. Sales were 7.9 per cent higher at Y237.7bn.

Recurring pre-tax profits at Tanabe Seiyaku leapt 64 per cent to Y15.5bn, and after-tax profit rose 57.5 per cent to Y5.9bn due to higher exports helped by the weaker yen and increased sales of prescription drugs within Japan.

Chugai held its dividend at Y11.5 after pre-tax profit grew 8.6 per cent to Y22.5bn on sales 10.2 per cent higher at Y170.7bn.

Fujisawa reported a 30 per cent jump in after-tax profits to Y6.4bn, and a 6.6 per cent increase in recurring profit to Y23.7bn, on sales up 2.5 per cent to Y224.7bn.

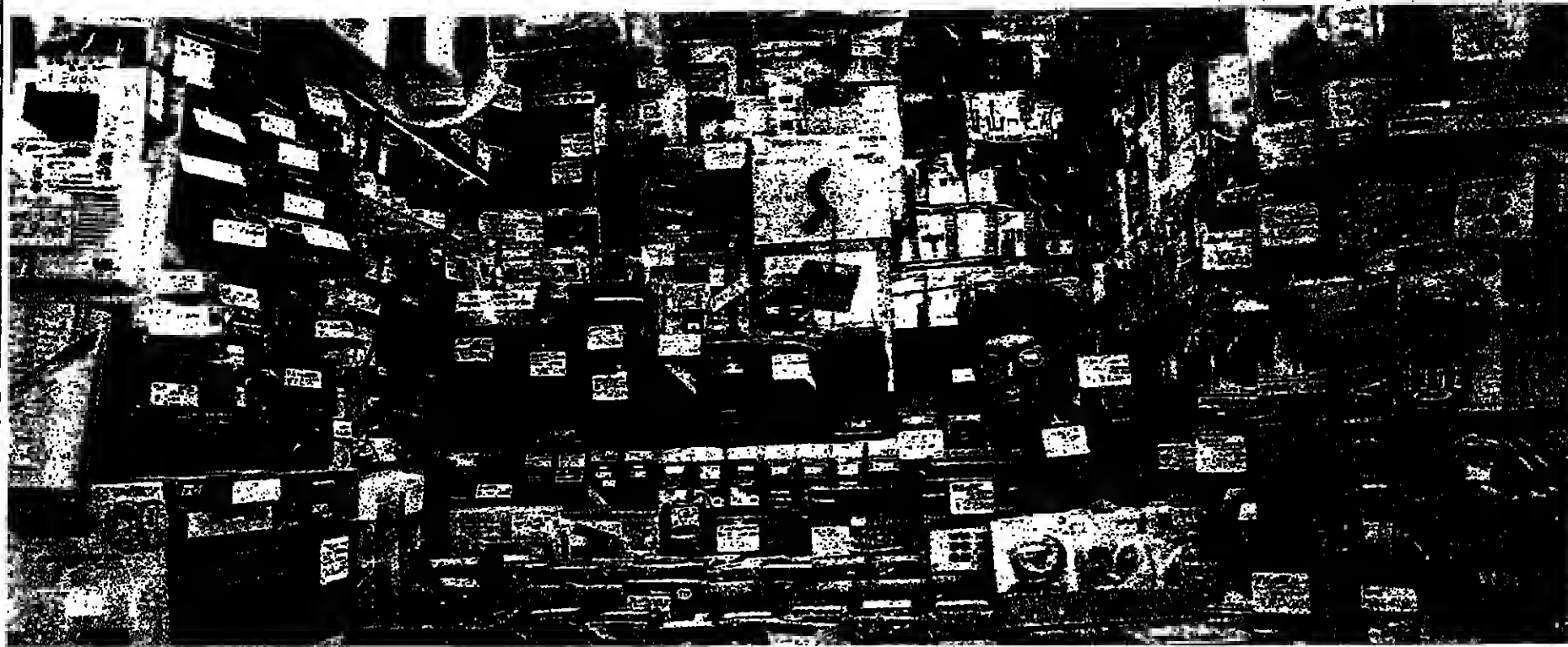
Profit forecasts for the current year were fairly conservative, reflecting the recent increase in Japan's consumption tax rate, and continued government price-cutting measures.

Takeda forecast a mere 0.5 per cent rise in recurring profit, and a 1.9 per cent increase after-tax, on sales ahead 1.5 per cent. Sanofi said it saw sales growing 1.7 per cent, and recurring profits rising 2.4 per cent, but after-tax profit should improve 8.3 per cent.

Taiho forecast a fall of 3.6 per cent in recurring profit, in spite of slightly higher sales. Chugai also forecast higher sales but a recurring profit decline of 4.7 per cent, and a net profit fall of 7.8 per cent.

Fujisawa expects sales, recurring and post-tax profits to be slightly lower.

Consumer electronics benefit from lower yen



Techno: electrical goods makers in Japan are seeing strong demand for MiniDisc batteries and digital still cameras but demand for laser disc products has fallen

By Michio Nakamoto

Japanese consumer electronics groups benefited from a weaker yen and firm demand for many of the components they supply but continued to suffer from downward pressure on prices of consumer electronics products.

Sharp, the world's largest supplier of liquid crystal display panels, posted flat group pre-tax profits in spite of higher sales. This was because of steep falls in the

prices of semiconductor memories and passive LCD panels used for still images took their toll.

Consolidated sales rose 9 per cent to Y1,790.9bn (\$15.67bn) and net profits increased 7 per cent to Y48.5bn but pre-tax profits were just 2 per cent up at Y88.6bn.

The company, which supplies about 36 per cent of global LCD demand, expects a shift to more popular TFT-LCD panels will help expand sales this year to Y1,930bn,

pre-tax profits to Y93bn and net profits to Y50bn.

Buoyant sales of electronic components supported a rise in sales and profits at Sanyo, in spite of a downturn in semiconductor prices.

Consolidated sales in the year were at Y1,793bn and pre-tax profits came to Y41.5bn while net profits reached Y17.7bn. The figures are not comparable with last year's results because Sanyo changed its year-end from November to March.

However, they represent

increases if compared with the same period in the previous year, the company said.

Sanyo benefited from the strong demand for lithium ion batteries for portable products such as MiniDiscs, as well as strong sales of digital still cameras. The company expects that continuing strong demand for these products will support a rise in sales to Y1,870bn and increase in net profits to Y20bn.

A sharp decline in laser disc sales and restructuring

costs affected the performance of Pioneer, the specialised audio-visual maker which is the main supplier of laser disc systems.

The company, which depends on export sales for 60 per cent of total sales, enjoyed the benefits of the weaker yen which helped it increase group sales by 9 per cent to Y582.6bn and return to the black.

Pre-tax profits were Y1.6bn compared with a loss of Y14.9bn while net profits came to Y2.5bn against

a loss of Y9.9bn.

Although sales of car electronics were robust, the company has suffered from the decline in sales of its main-line laser disc products.

Pioneer, which is pushing through a restructuring, forecasts parent sales this year will increase from Y341bn to Y362bn and expects to post recurring profits of Y4.8bn against a parent loss of Y4.1bn.

Net profits are forecast at Y4.6bn against a net loss of Y10.7bn.

Competition and JR East posts modest first results

By Michio Nakamoto

KDD, Japan's main international telecoms group, suffered a 14 per cent decline in profits because of sluggish international traffic growth and rate cuts in the face of fierce competition.

Consolidated sales rose 40 per cent to Y401.2bn (\$3.51bn), reflecting increased revenues at a cable installation subsidiary.

Pre-tax profits for the group fell from Y34.3bn to Y29.4bn, while net profits dropped 7 per cent to Y12.9bn. Traffic growth was only 7.4 per cent for the year, compared with a forecast of 9 per cent.

Meanwhile intense competition in the Japanese market for international telecommunications traffic forced KDD to introduce significant tariff reductions during the year. This led to a Y11bn decline in operating profits.

Discounts for large volume users led to a further Y4bn decline in operating profits. KDD, which is planning to

enter the market for local calls in the near future, is increasing capital spending to Y104bn this year, compared with a record of Y67.9bn last year. The company is building an underwater loop it calls the Japan Information Highway, which would circle the Japanese archipelago.

Business is not expected to pick up much this year. While international traffic is forecast to grow only about 7 per cent, putting pressure on sales growth, rate cuts are expected to continue to hurt profits.

KDD forecasts sales will fall to Y380bn, pre-tax profits drop to Y22bn and net profits to Y10bn.

Japan Telecom, the long-distance telecoms carrier, said pre-tax profits rose 6 per cent to Y44.5bn on sales of Y378.9bn, up from Y335.6bn. The company, which is to merge with International Telecommunications Japan, expects sales to rise to Y400bn but pre-tax profits to slump to Y41bn in the current year.

By Gwan Robinson in Tokyo

East Japan Railway (JR East), the largest of six railway companies spun off from the break-up of the government's JNR railway group in 1987, yesterday reported modest gains in consolidated revenues and profit for the year to March, on steady demand for high-speed train services and improvements in non-railway operations.

Consolidated recurring profit rose 3.3 per cent to Y119bn (\$1.04bn) on operating revenues of Y2,513bn, up 1.6 per cent.

The group said last December's spin-off of its unprofitable convenience stores business had improved overall results for its non-railway operations.

JR East is saddled with substantial long-term loans, but made progress during the year in reducing the debt

and improving the balance on financial items, said managing director, Mr Eiji Hosoya.

Transportation income, meanwhile, increased just 0.9 per cent to Y1,725bn.

After-tax profit rose 3.3 per cent to Y70bn, or Y17,666.37 on a per-share basis, while return on equity edged down to 10.2 per cent from 10.6 per cent.

The company plans to maintain its annual dividend

at Y5,000 per share.

For the current financial year, JR East expects group recurring profit to fall 16 per cent to Y99.9bn and after-tax profit to fall 12 per cent to Y62bn, although sales are projected to rise 1 per cent to Y2,537.5bn.

The poor outlook is mainly due to an expected Y32bn increase in fixed-asset taxes, following the end of special tax breaks, and increased expenditure on personnel.

The shareholders of SANDVIK AKTIEBOLAG

are hereby called to a Special General Meeting of the Company to be held on Monday, 9 June, 1997, at 2:00 p.m. at the offices of Sandvik Coromant, Mossvagen, Sandviken, Sweden.

AGENDA

1. Election of Chairman of the Meeting.
2. Preparation and approval of the list of shareholders entitled to vote at the Meeting.
3. Election of one or two minutes-checkers.
4. Determination of whether the Meeting has been duly convened.
5. The Board's proposal of a reduction of the Company's share capital through the redemption of shares in conjunction with Sandvik's redemption offer to the Company's shareholders in accordance with the information material of 29 April 1997. The shares covered by the redemption offer have been submitted for redemption during the application period which extended from 7 May through 22 May 1997. The redemption amount totals SEK 4,000 M. The redemption is being effected in part by reducing the share capital and in part through utilization of unrestricted equity capital.
6. The Board's proposal for decisions to increase the Company's share capital through a bonus issue and on the related change in §5 of the Articles of Association whereby the par value of the share is increased from SEK 5 to SEK 6. The bonus issue is to be effected through a transfer of funds to share capital, in part from the premium reserve and in part from unrestricted equity capital, and is to be carried out for the purpose of avoiding the necessity of court approval for implementation of Sandvik's redemption offer.

The repayment amount per share, number of shares to be redeemed and the size of the bonus issue, etc., will be disclosed publicly on 23 May 1997.

The complete proposal of the Board regarding decisions on reducing the share capital and the bonus issue, etc., will be available at the Company as of Monday, 2 June 1997, at the address: Sandvik AB, Group Staff Information, SE-811 81 Sandviken, Sweden. Telephone: +46 (0)26-26 10 42, telefax: +46 (0)26-26 10 43.

NOTIFICATION

Shareholders who wish to participate in the Meeting should notify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, SE-811 81 Sandviken, Sweden or by telephone, +46 (0)26 26 10 81 or telefax, +46 (0)26-26 10 86. Such notification must be received by Sandvik AB not later than 3:00 p.m. Wednesday, 4 June 1997. To be eligible to participate in the Meeting, shareholders must be recorded in the share register maintained by Värdepapperscentralen VPC AB (Swedish Securities Register Centre) as of Friday, 30 May 1997. Shareholders whose shares are registered in the name of a trustee must have temporarily re-registered the shares to their own name not later than 30 May 1997 to be entitled to participate in the Meeting.

The notification should state the shareholder's name, national registration or corporate identity number, address and telephone number. Sandvik AB will confirm receipt of the notification by forwarding an admission card which is to be presented at the entrance to the Meeting venue.

Sandviken, May 1997

SANDVIK AKTIEBOLAG; (publ)

Board of Directors



INVESTISSEMENTS ATLANTIQUES SICAV

Registered Office: 14, rue Aldringen, L-1118 Luxembourg
R.C. Luxembourg: Section B 8722

DIVIDEND ANNOUNCEMENT

On 16 May 1997 the Annual General Meeting has announced the payment of a dividend of USD 0.10 per share for the accounting year ended 31 December 1996 and of an annual dividend of USD 0.10 per share on the number of shares outstanding on or after 20 May 1997, six dividend dates 21 May 1997, payable on 2 June 1997 against presentation of coupon no 18 of the old shares Investissements Atlantiques S.A. or against presentation of coupon no 7 of the new shares Investissements Atlantiques Sicav.

The Board of Directors

FORD MOTOR CREDIT COMPANY
U.S. \$400,000,000
Floating Rate Notes Due August 1998

In accordance with the terms and conditions of the Notes, the interest rate for the period 27th May, 1997 to 26th August, 1997 has been fixed at 6.0625% per annum. The interest payable on 26th August, 1997 will be U.S. \$15,324,652 per U.S. \$1,000 nominal.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA



WestLB Finance Curaçao N.V.
U.S. \$200,000,000
8.5% Notes 1998 (1998) - C 34 -
Issued pursuant to the Euro MTN-Programme
Call for redemption as of 24 June 1997.

According to section 4 (c) of the Terms and Conditions of the Notes this is to notify that all notes of the above mentioned issue are called for redemption at par as of 24 June 1997. Düsseldorf, 19 May 1997

WestLB

Notice to the Bondholders relating to

Siam Syntech Construction Public Company Limited

US \$40,000,000.00

4.5 per cent Convertible Bonds due 2002

You are hereby notified that on the 27th day of March, 1997, the Shareholders of the issuer, Siam Syntech Construction Public Company Limited, resolved to increase the capital of the issuer by the issue of new shares.

It was resolved that the new shares be offered to the existing shareholders of the issuer at the ratio of two (2) existing shares for one (1) new share. Based on the existing outstanding shares at 31,250,000 ordinary shares, the total number of new shares issued to the existing shareholders was determined at 15,625,000 ordinary shares.

The Share Register of the issuer was closed on 11th April, 1997, to determine the right of the existing shareholders to subscribe for the new shares offered. The subscription period was from 24th to 30th April, 1997. The Original Conversion Price of the Bonds was Baht 225.00 only per share. The rights issue resulted in an adjustment to the Conversion Price. The Adjusted Conversion Price has been determined at Baht 206.37 per share, effective from 8th April, 1997.

This Notice is given on this 23rd day of May, 1997, in accordance with Clause 6 of the Trust Deed dated 25th February, 1994.

Signed for and on behalf of
Siam Syntech Construction Public Company Limited

NOTICE OF EARLY REDEMPTION



New Zealand

US\$ 150,000,000
10 1/2 per cent Bonds due 2000

Notice is hereby given to the Bondholders that, pursuant to Condition 5(b) of the Terms and Conditions of the Bonds, the issuer will redeem all the Bonds remaining outstanding at 101.50% of their principal amount, on the next Interest Payment Date, July 18, 1997.

Payment of the interest and premium due on July 18, 1997 and reimbursement of the principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on the Bonds as from July 18, 1997.

Fiscal Agent and Principal Paying Agent

Kreditbank S.A. Luxembourg
43, boulevard Royal
L-2955 Luxembourg

Paying Agents

Kreditbank N.V.
Arenbergstraat 7,
B-1000 Brussels

Credit Suisse First Boston
8 Paradeplatz
CH-8001 Zürich

Kreditbank N.V.
7th Floor, Exchange House
Pineapple Street
London EC2A 2HQ, U.K.

Kreditbank N.V.
125 West 55th Street
New York, N.Y. 10019, U.S.A.
(Payment of principal only)

Luxembourg, May 23, 1997

Mitsubishi maintains record results

By Gwen Robinson in Tokyo

Mitsubishi Heavy Industries, the largest of Japan's diversified shipbuilding, aerospace and heavy-machinery makers, yesterday posted record consolidated profits and sales for the third year.

Mr Yoshitaka Tsuda, vice-president, attributed the strong results to the yen's fall against the dollar and the success of cost-cutting.

He noted a surge in aircraft-related orders, which jumped more than 35 per cent on robust exports of aircraft parts.

MHI's consolidated recurring profit rose 16 per cent to ¥208.96bn

(\$1.8bn), topping the previous year's record of ¥180.15bn. Sales grew 4.3 per cent to ¥3,142.4bn and after-tax profit surged 19 per cent to a record ¥123.6bn.

Return on equity, meanwhile, rose to 10.3 per cent from 8.5 per cent. The company increased its dividend to ¥10 from ¥9.

MHI is Japan's leading defence contractor but has shifted its focus to aerospace, nuclear power-generating equipment and other areas amid the steady decline in domestic defence spending.

Total orders reached ¥3,057.4bn, exceeding ¥3,000bn for the first time mainly because of a 35 per

cent increase in aircraft-related orders to ¥488bn. Aircraft-related exports, meanwhile, jumped 71 per cent to ¥82.6bn due to big orders from Boeing for parts for its 777, 767 and 737 aircraft.

Turnover in the shipbuilding and steel structure division, which represents less than one-fifth of sales, remained virtually stagnant on falling orders for new vessels.

For the current year, the company expects exports to offset a decline in domestic sales, with a projected rise of 5.7 percentage points in its export ratio to 34.8 per cent.

Recurring profit is expected to

rise 1.2 per cent to ¥155bn on sales of ¥2,870bn, up 4.9 per cent. The yen's recent climb against the dollar could affect MHI's promising outlook if the Japanese currency moves higher than ¥115, the company's exchange rate for the year.

● Fuji Heavy Industries, a car-maker with divisions manufacturing industrial machinery, aircraft and transport equipment, yesterday reported consolidated recurring profit in the year to March surged nearly 285 per cent to ¥41.8bn, due to brisk sales of mainstay car models including the Legacy.

The yen's fall against the dollar

during the year also boosted earnings, with foreign exchange gains on increased exports.

Group sales grew 13.5 per cent to ¥1,223bn, while after-tax profit soared 104 per cent to ¥39.5bn - the fourth consecutive increase as all Fuji Heavy's 62 domestic car dealers posted profits for the year.

Fuji Heavy will increase its annual dividend to ¥7 from ¥5.

For the year to March, the company expects record high recurring profit and sales. Recurring profit is expected to grow 14.3 per cent to ¥38bn on sales of ¥880bn, up 6.7 per cent.

ASIA-PACIFIC NEWS DIGEST

Japan Tobacco makes new record

The Japanese government's first steps in launching anti-smoking measures did little to damp profits at Japan Tobacco, the country's cigarette-manufacturing monopoly. In the year to March, the formerly state-owned company, which maintained sole right to produce tobacco in Japan even after privatisation in 1985, announced its fourth consecutive record recurring profit of ¥136.76bn (\$1.2bn), up 17.6 per cent. Sales rose nearly 3 per cent to ¥2,735bn.

Gwen Robinson, Tokyo

Wharf restates profits

Wharf Holdings, the Hong Kong property and infrastructure conglomerate, has been forced to restate its profits for last year in the wake of two litigation cases. Appeals are being made in both cases, prompting a general provision charge of HK\$500m (US\$64.62m) - or one-fifth of net profits as they were initially stated.

The blow comes after Wharf, reporting its annual earnings of HK\$2.74bn in March, prompted a wave of downward revisions in analysts' estimates for the current year. Losses at the company's cable TV arm were higher than had been expected while property sales were lower.

Wharf has been involved in two long legal battles, one in Hong Kong and one in the US. Yesterday it said "significant developments" had prompted the decision to make a general provision in last year's accounts.

Louise Lucas, Hong Kong

Cost cuts boost Asahi Glass

Asahi Glass, Japan's leading glassmaker, saw consolidated recurring profit increase almost 25 per cent to ¥50bn (\$438m) last year on steady sales and sweeping cost cuts. Net sales rose from ¥1,275bn to ¥1,331bn driven by strong demand from the construction sector. However, after-tax profit slipped to ¥24.1bn from ¥24.8bn. Analysts said savings of about ¥9bn from cuts in distribution and materials costs had more than offset an increase in fuel prices.

Gwen Robinson

Fernz sells fertiliser unit

Fernz Corporation, the New Zealand pharmaceutical and agricultural chemical group, is to invest in further international chemical companies, after deciding yesterday to quit its New Zealand fertiliser manufacturing operations. Fernz is selling its fertiliser distributing and manufacturing businesses for NZ\$105m (US\$73m) to two New Zealand farmer-owned co-operatives.

Terry Hall, Wellington

Head for Inchcape Pacific

Mr Raymond Ch'ien, a member of Hong Kong's Executive Council, has been named on-executive director of Inchcape of the UK and chairman of Inchcape Pacific, the distribution group's Hong Kong subsidiary. Mr Ch'ien succeeds Mr Paul Cheng who is retiring at the end of May.

AFX-News, London

Together the top five steel groups saved more than ¥220bn

Cost cutting lifts Japanese steelmakers

By Bethan Hutton in Tokyo

Japan's integrated steel makers managed to stay in the black last year in spite of difficult world market conditions, due to huge reductions in costs.

Mr Stephen Wolfe, analyst at UBS Securities in Tokyo, said: "They had lower selling prices and higher input costs, and that normally spells disaster for a steel company. Japan is the only major steel industry where earnings were up rather than down, and the reason is exclusively restructuring - they took more out of their costs than they suffered from the squeeze."

Between them, the top five steel companies cut more than ¥220bn (\$1.93bn) of costs, even though this was the fourth year of restructuring, Mr Wolfe said.

Restructuring and downsizing costs continued to eat into net profits at Nippon Steel, the world's largest steelmaker, and the company said these costs would continue this year.

Recurring pre-tax profits grew 30.9 per cent to ¥84.7bn on a non-consolidated basis, but net profits after tax dropped 19.5 per cent to ¥19.9bn after extraordinary expenses. The extraordinary expenses included ¥71.9bn of special retirement allowances, costs related to a fire at one plant, and the restructuring of Nittetsu Shoji, Nippon Steel's main steel trading arm.

Some of the extraordinary costs were offset by asset sales.

Steel sales slipped, but overall sales figures improved 4 per cent to ¥3,184.4bn after a better performance from the engineering and construction divi-

sions. The final dividend remained at ¥25.

Nippon Steel's consolidated figures were hit by the continuing unprofitability of its semiconductor subsidiary. Consolidated recurring pre-tax profits fell 20.5 per cent to ¥80.5bn, and after-tax profits were down 33.7 per cent to ¥14.4bn.

Kobe Steel has cleared the deficit it incurred from the Kobe earthquake, but has not yet resumed dividend payments.

Unconsolidated recurring profit dropped 26 per cent to ¥26.7bn, and after-tax profit was down 68.7 per cent to ¥21.7bn, partly because of lower unit prices for steel products. Sales slipped 0.5 per cent to ¥1,140.6bn.

Kobe Steel is also suffering from low chip prices at its semiconductor subsidiary, which contributed to a 64.3 per cent drop in consolidated recurring profit to ¥20.98bn.

After-tax profits at NKK dropped 72.9 per cent to ¥16.2bn, but recurring profit grew 1.3 per cent to ¥34.3bn. The company resumed dividend payments after a four-year gap, with a full-year dividend of ¥3. Sales grew 2.2 per cent to ¥1,183bn.

NKK said the after-tax profit was affected by early retirement payments and asset disposals. It sees sales falling this year, but after-tax profits rising 11 per cent.

Sumitomo Metal Industries reported a 26.2 per cent drop in after-tax profit to ¥12.1bn. But its recurring profits rebounded 10.8 per cent to ¥22.4bn, in spite of sales 3.9 per cent lower at ¥1,016.5bn. Sumitomo Metal said it saved ¥39bn through cost-cutting but incurred losses on stock revaluations.

The after-tax figure was hit by an extraordinary loss of ¥27.5bn from assisting a subsidiary and renovating a plant. The loss was partly offset by an extraordinary gain of ¥28.8bn from selling assets.

Recurring profits at Kawasaki Steel rose 41.8 per cent



The industry has completed its fourth year of restructuring

to ¥23.8bn, and sales grew of ¥27.5bn from assisting a subsidiary and renovating a plant. The loss was partly offset by an extraordinary gain of ¥28.8bn from selling assets.

Recurring profits at Kawasaki Steel rose 41.8 per cent

Sony plans to sponsor UEFA in £10m deal

By Alice Rawsthorn

Sony, the Japanese electronics and entertainment group, plans to spend at least £10m (\$16.4m) over three years sponsoring the UEFA Champions League, the world's largest soccer club tournament.

The deal with UEFA forms part of Sony's efforts to promote its PlayStation video games system and maintain its leadership of the competitive European video games market against Japanese rivals Nintendo and Sega.

Until now Sony's marketing strategy for the PlayStation in Europe has concentrated on advertising and price promotion. It has sponsored a couple of cult sporting events, such as snowboarding tournaments, but the UEFA agreement is its first foray into mainstream sports.

The UEFA Champions League was broadcast live in 50 countries last year. Some 170m people watched each match in Europe, and 140m in other countries. The latest final, between Juventus of Turin and Borussia Dortmund next Wednesday will be the most watched club game in television history.

Mr David Patton, Sony European marketing manager, described the UEFA deal as "just the beginning" of a series of soccer sponsorships by PlayStation.

The announcement of the UEFA agreement coincided with the news that PlayStation sales had surpassed Nintendo in the UK, bringing the total sold in Europe to more than 3m. Some 13.5m systems have been shipped worldwide.

When Sony launched the PlayStation in Europe in autumn 1995, its chief competitor was the Sega Saturn, another 32-bit games console. Another rival emerged earlier this year in the Nintendo 64, which uses more powerful 64-bit technology.

Sony slashed the price of the PlayStation in the UK by £70 to £129.99 on the eve of the Nintendo 64's launch, but the latter's price was recently reduced by £100 to £149.99.

for specific risks, and were strongly criticised by US negotiators as a form of cartel that has allowed non-life insurers to maintain high rates and prevent competition.

Combined recurring profit at the top five insurers fell 2.2 per cent to ¥257.28bn, due partly to poor investment returns from extremely low domestic interest rates.

However, the figure would have been much lower had it not been for a change in accounting standards, due to technical factors, following the revision of Japan's insurance business law last April,

which changed the scope of items covered by the pre-tax account.

Mr Paul Heaton of Deutsche Morgan Grenfell, said: "The major item was the recognition of securities gains as ordinary, rather than extraordinary, income."

Tokio Marine and Fire Insurance, the largest of the five with an 18 per cent market share, recorded an after-tax profit of ¥30.7bn, up 8.4 per cent. Yasuda Fire and Marine Insurance, Mitsui Marine and Fire Insurance and Sumitomo Marine and Fire Insurance all reported increases of more than 10

per cent to their after-tax profits. The companies saw a decrease in insurance payments because of the fall in the number of accidents and disasters.

Only Nippon Fire and Marine Insurance, the smallest of the five, reported a fall in after-tax profit of 2.3 per cent, partly because of a fall in profit from its core insurance business.

All five experienced a surge in purchases of car and fire policies on the consumer rush to buy cars and houses before the April 1 increase in sales tax to 5 per cent from 3 per cent.

Fall in bad loans spurs insurers

By Gwen Robinson

Japan's leading non-life insurers saw combined after-tax profits increase 10.3 per cent in the year to March, due to cost-cutting and a slowdown in bad-loan write-offs. Net premium income rose 3.5 per cent to a combined ¥3,917.61bn (\$34.25bn).

The entire insurance industry is tracing for liberalisation following last year's US-Japan bilateral agreement to open the market and abolish rate-setting bodies. The rating associations have long determined industry-wide premium rates

for specific risks, and were strongly criticised by US negotiators as a form of cartel that has allowed non-life insurers to maintain high rates and prevent competition.

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CREDIT NATIONAL

a French company with a share capital of 1 457 881 000 FF
Registered office: 43, rue Saint-Dominique 75700 PARIS
Registered with the Tribunal de Commerce de Paris with number: B 542 044 524
Identification number:

BANQUE FRANCAISE DU COMMERCE EXTERIEUR

a French company with a share capital of 2 100 000 000 FF
Registered office: 21, Boulevard Haussmann 75009 PARIS
Registered with the Tribunal de Commerce de Paris with number: B 552 067 936
Identification number:

NOTICE OF PROPOSED TRANSFER OF ASSETS

By virtue of a deed dated April 7, 1997 Crédit National and Banque Française du Commerce Extérieur ("BFCE") have arranged a proposed transfer of assets in accordance with the rules applicable to split-offs of companies (Projet d'apport partiel d'actif soumis au régime juridique des scissions) pursuant to Article 387 of the Company Law (loi du 24 juillet 1966).

In accordance with such deed, Crédit National will transfer to BFCE its commercial banking division (branche complète et autonome d'activité de banque commerciale) which is comprised of assets and liabilities respectively valued at 112 021 000 000 FF and 109 803 000 000 FF, resulting in a net transfer of assets of 2 218 000 000 FF.

The parties have agreed to submit to Article 385 of the Company Law whereby Crédit National will not be released from its obligations as debtor but rather remain as a second debtor (co-débiteur) jointly and severally liable for all debts and obligations transferred by it to BFCE under the above-mentioned transfer of assets. Following the transfer, BFCE will be jointly and severally liable for all existing debts and obligations not transferred by Crédit National to BFCE in addition to those transferred.

In consideration of such transfer, Crédit National will be granted 12 091 919 shares in BFCE, each with a nominal value of 100 FF, to be issued for this purpose in the amount of 1 209 191 900 FF, resulting in a transfer premium in the balance sheet of BFCE of 1 008 808 100 FF.

All assets and liabilities comprised in the commercial banking division transferred will be assumed by BFCE, such transfer taking effect from January 1, 1997.

The holders of the following Crédit National bonds or notes, the terms and conditions of which do not incorporate provisions for meeting of holders (porteurs d'obligations des emprunts Crédit National) non regroupées en masses (jouissance de la personnalité civile) as permitted by Article 339 of the Company Law, in possession of the bonds or notes at the date of this publication, are granted a right to oppose this transfer as prescribed by Article 261 of the decree of March 23, 1967 before the Tribunal de Commerce de Paris:

- CAD - 10.375 % 1991 / 1998
- USD Floating Rate Notes 1991 / 1999
- 8.80 % juillet 1992 / 2000 OROC
- 10.625 % janvier 1986 / 2000
- Coupon zero CAC 40 juillet 1991 / 1999 Tr. A
- 4.50 % CAC 40 juillet 1991 / 1999 Tr. B
- 9.25 % avril 1991 / 1999 OROC
- 8.40 % avril 1992 / 2003 OROC
- 6 % novembre 1993 / 2004
- 9.25 % octobre 1991 / 2001
- Coupon zero novembre 1992 / 1997
- USD Coupon zero Standard & Poor's mars 1992 / 2000
- 7.25 % mai - juillet - septembre 1993 - 1994 / 2003
- 8.75 % février 1992 / 1999
- 8.60 % février 1993 / 2008
- 5.75 % janvier 1994 / 2002 OROC

Isin XS0032013095

Isin XS0038706007

Isin LU0001747426

Isin XS0032673773

Isin XS0030812498

Isin XS0036513553

Isin XS0047132732

Isin XS0033936237

Isin XS0040490632

Isin XS003639606

Isin XS0043759445

Isin XS0035841435

Isin XS0041937680

Isin XS0047913800

The above-mentioned deed of transfer contains a condition that such transfer be approved by the Extraordinary General Shareholder's Meeting of both companies.

After approval of such transfer, BFCE's name will at a later stage be changed to "Natixis Banque".

Two copies of the deed of transfer referred to above have been deposited with the Greffe du Tribunal de Commerce de Paris on May 21, 1997 in respect of both companies.

INVITATION

to the Shareholders and Holders of Participation Certificates (hereinafter "Raiffeisen-Vermögensanteile")

ORDINARY GENERAL MEETING OF SHAREHOLDERS

of Raiffeisen Zentralbank Österreich AG to be held on Wednesday, June 25, 1997 at 11.00 a.m. in 1030 Vienna, Am Stadtpark 9, "Raiffeisenhof" (ground-floor).

AGENDA

- 1/ Presentation of the Annual Financial Accounts, the Business Report of the Board of Management and the Report of the Supervisory Board, as well as of the Consolidated Financial Accounts and the Consolidated Annual Report for the fiscal year 1996
- 2/ Resolution on the distribution of the net profit
- 3/ Resolution on the release from liability of the members of the Board of Management and of the Supervisory Board
- 4/ Resolution on the reimbursement of the members of the Supervisory Board
- 5/ Election of the auditors for the fiscal year 1998
- 6/ Election of the members of the Supervisory Board
- 7/ Miscellaneous

Shareholders shall be entitled to attend the Meeting upon presentation of a certificate of deposit evidencing the deposit of their shares or interim certificates with an Austrian notary public or with an Austrian or foreign bank. The deposit must be effected not later than June 19, 1997 pursuant to Section 18 of the Articles of Association.

The voting power of the shareholders corresponds to the nominal value of the shares.

In case votes are exercised by proxy, a written proxy is required which shall be retained by the company.

Holders of "Raiffeisen-Vermögensanteile" are entitled to attend the Ordinary General Meeting. They shall have to prove their right to attend in the same manner as the shareholders by analogy to Section 18 of the Articles of Association.

The Annual Financial Accounts can be inspected at the seat of the company in 1030 Vienna, Am Stadtpark 9, during a period of 14 days prior to the General Meeting of Shareholders.

THE BOARD OF MANAGEMENT

INVITATION

to the Holders of "Raiffeisen-Vermögensanteile"

to attend

A BRIEFING

concerning the Annual Financial Accounts for the fiscal year 1996 to be held on Wednesday, June 25, 1997 at 10.00 a.m. in 1030 Vienna, Am Stadtpark 9, 9th Floor, Conference Room 8.

Holders of "Raiffeisen-Vermögensanteile" are entitled to attend this briefing. They shall have to prove their right to attend in the same manner as the shareholders by analogy to Section 18 of the Articles of Association.

Vienna, May 1997

THE BOARD OF MANAGEMENT

RZBX
Austria

Raiffeisen Zentralbank Österreich Aktiengesellschaft

COMPANIES AND FINANCE: UK

Emphasis will be on building up its television interests and expanding internationally

Granada rules out media demerger

By Raymond Snoddy

The Granada Group has ruled out a demerger of its television interests from the foreseeable future following a detailed review of the company's structure. Until recently, senior management at the hotels, catering, rental and television group were seriously considering a demerger.

Instead, the emphasis will be on building up the televi-

sion business and redoubling efforts to expand internationally.

The company is also in negotiations which could lead to the sale of its computer services operation. A number of companies have expressed an interest in the business, which makes profits of about £7m (£11.3m) a year.

Granada would expect to get £80m-£90m for the company, although that may

turn out to be optimistic.

Granada, whose chairman is Mr Gerry Robinson, considered a television demerger because the group had become primarily a leisure sector business following its acquisition of the Forte hotel group last year. Executives feared the value of the television business would be held back by the lower rating of the leisure sector.

Senior Granada managers, who put demerger on the

agenda late last year, thought at the time that it was as likely to happen as not, and that any move should take place quickly, preferably in 1997.

Now, however, demerger seems to be off the agenda for the next three to five years, unless circumstances change markedly.

The decision might for now protect Granada's rental business from being sold. If the company had

decided to split in two - a "pure" television business and a hotels and catering company - the low growth rental company would almost certainly have been sold.

As part of its international expansion, Granada entered the North American television production market earlier this month with the creation of Granada Entertainment USA.

The Los Angeles backed

operation will be run by Mr Scott Slegler, former president of Columbia Pictures Television. On Monday Granada announced that an adapted version of *Cracker*, its award-winning crime series, had become the first British drama to be made into a network series in the US for American audiences.

Lex, Page 24

LEX COMMENT

Storehouse

It will be a long time yet before investors get excited about Storehouse. But given the lack of pessimism that has recently engulfed the stock, it is some consolation to know that the market's worst fears were exaggerated. Partly this is a question of numbers: the 1996-7 figures contained no shocks, and current trading is better than expected. But presentation also played a role: with sentiment in tatters, the sure hand of Mr Alan Smith, the chairman, was welcome. Improved disclosure, laced with a measure of humility about past failings, also went some way towards restoring confidence.

The key issue now is whether the group can shift from recovery to growth mode. Heavy investment in people, systems and store refurbishments is a necessary beginning. It should have started sooner, but at least it scotches fears that the group is interested only in generating short-term profits through cost-cutting. But progress from here will be slow. Modernisation may have a strong market position, especially in equipment, but the children's wear market remains very difficult. And while the "millennium" store concept looks promising, the management has yet to produce a compelling vision for where BHS belongs on the high street. Still, none of these reservations justifies the share's being rated at a 40 per cent discount to the market. These ratings are assuming profits of below £100m in the current year when even the gloomier analysts are forecasting around £125m.

Delius Trust supports Boosey

By David Blackwell

The spirit of Frederick Delius yesterday joined a chorus of small shareholders urging Boosey & Hawkes, the music publisher and instrument maker, to fight for its independence against a threatened sale.

Mr Martin Williams, a trustee of the Delius Trust, told the annual meeting that the composer - whose music evokes regret for times past - had links with Boosey dating back to 1910. "We are concerned that the service we receive will deteriorate if the group is taken over."

Two years ago the trust, set up after Delius' death in 1934 in order to promote his music and that of other British composers, renegotiated its contract with Boosey following the extension of publishing copyright from 50 to 70 years. Mr Williams said that "as prudent trustees we would have given the matter some very careful thought" if they had known the group would be put up for sale.

His concerns were echoed by other small shareholders, including former employees and members of the Boosey family that founded in the group in the 1760s as a London sheet music library.

They were critical of the decision taken earlier this month by Carl Fischer, the New York based music publisher that owns 45.3 per cent of Boosey, to put itself up for sale following the death of Mr Walter Connor, its president and Boosey's non-executive chairman. Any company acquiring Fischer will be obliged to bid for the rest of Boosey which owns a catalogue of 20th century composers.

Mr Donald Mackenzie, a director of Fischer and a member of the ruling family, told shareholders that the family was "very cognisant of your concerns and we are certainly taking them into account."

Glenmorangie unruffled by GMG

By John Willman, Consumer Industries Editor

Mr Geoffrey Maddrell, chairman of Glenmorangie, the last quoted independent single malt Scotch whisky producer, said that he saw no threat from the proposed merger of Grand Metropolitan and Guinness, announced last week.

"We are not competing in the market for 1m case brands," he said. "But there will be opportunities for us if their eyes move off the ball."

He spoke as Glenmorangie said strong sales growth had helped raise pre-tax profits 19 per cent to £7.8m (£12.6m) in the year to March.

Despite stagnant spirit markets in the UK and US, turnover rose 19 per cent to £46.1m, with a 45 per cent increase in case sales. Bulk sales to blenders fell 22 per cent to boost stocks to meet growth in bottled sales.

Longer term, Mr Maddrell, the first chairman of the company not to be a member of the controlling Macdonald family, said the formation of GMG Brands would change the industry.

But the growth strategy introduced after he became chairman at the end of 1993 had made the company more flexible and market-oriented. Glenmorangie remains the top single malt in Scotland, and in the year raised its share of the UK and US markets. Advertising and promotion was raised from 17 per cent of sales revenue to 19 per cent.

The company remains optimistic about prospects in China where it has established production and distribution facilities. But it took a provision of £175,000 against its Indian operations where trading conditions were much more competitive.



On a roll: Glenmorangie has extended the range of fancy barrels used for finishing its malts

Cash-rich Vosper set for acquisitions

By Tim Burt

Vosper Thornycroft, the shipbuilder and engineering group, is planning to spend up to £200m (£324m) on acquisitions to reduce its dependence on warship production.

The company, which yesterday reported an 11 per cent rise in annual profits, has asked NatWest Markets to draw up a list of takeover candidates and hopes to complete "a significant deal"

before the year-end. Mr Martin Jay, chief executive, said: "We are now feeling more confident about our ability to handle a big acquisition, preferably in facilities management, electronic controls or maritime products."

Such an acquisition would be funded by a mixture of cash and shares. The plan signals Vosper's biggest step so far in developing non-shipbuilding activities - a strategy involving a series of bolt-on

acquisitions in recent years. Increased contributions from businesses such as naval training and Maritime Dynamics - the ride control company acquired for £4m last year - helped lift pre-tax profits from £27.7m to £30.7m on sales of £240.7m (£237.5m) in the year to March 31.

That offset lower underlying profits in the core warship business, which fell from £19.9m to £18m following the completion of vessels for Saudi Arabia and Qatar.

The group's failure to win new warship orders has cut the order book from £400m to £200m, although Mr Jay said the company could rely on about £100m of spare and maintenance contracts in the coming years.

He was also confident of further minehunter orders from the Saudi government - which has an option over three vessels - and an estimated £100m Qatar contract for patrol craft. Future order prospects

also include a new royal yacht, although Vosper believes the Labour government is more likely to embrace the idea of a national training ship than a replacement for Britannia.

Profits from non-core activities are expected to rise from 28 to 40 per cent of the group total. Such contributions last year helped lift operating profits from £20.8m to £24.8m, including £674,000 from Maritime Dynamics.

Exceptionals push Storehouse lower

By Peggy Hollinger

Storehouse shares rose more than 3 per cent yesterday, reversing some of their recent sharp decline as the Mothercare and BHS retailer announced a 9 per cent rise in annual profits before exceptional items to £118.3m (£129m).

The shares closed 7p higher at 229p, largely because of relief that there were no unpleasant sur-

prises, said analysts. "The market was expecting something rather more macabre," said Mr Sean Eddie of NatWest Securities. "In fact, the numbers were fine."

However, analysts downgraded expectations for the current year from about £135m to a range of £127m-£129m following the company's signal that higher costs would hold back margin improvements.

He admitted that Mothercare, which contributed some 26 per cent of sales,

had turned in disappointing results, partly because of management failures. BHS, too, had failed to take advantage of the fashion trend for branded sportswear.

But, he said, "we are taking action to improve our competitive performance" in a market which had been difficult for all players.

The group reported a 15.3 per cent rise in sales to £1.25bn for the year to

March 29. Excluding disposals and acquisitions, sales rose by 7.1 per cent.

Exceptional charges of £20.5m for the restructuring of Children's World, bought last May for £62.5m, and the sale of men's wear business Blazer, left pre-tax profits £12.1m lower at £97.8m.

Analysts said the shares had also been affected by the negative sentiment which investors had towards the retail sector at the moment.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Acasos & Hutchison	6 mths to Mar 30	139.4 (147.3)	3.25 (3.01)	5.7 (6.3)	4 July 21	3.5	-	10
Airflow Streamlines	Yr to Feb 28	105 (107.5)	2.1 (2.1)	15.74 (17.4)	6 July 21	6	6	9
Bent Brothers	6 mths to Feb 28	16 (14)	1.11 (1.73)	5.61 (6.88)	19 July 21	1.65	-	5.6
Bosch Rexroth	Yr to Mar 31	10.6 (24.5)	7.78 (6.22)	12 (11.4)	11 Aug 1	2.75	-	1
Brookmount	Yr to Mar 31	27.7 (27.4)	8.69 (7.91)	11.6 (11.4)	27 Aug 1	2.6	4	3.14
Brooks Industrial	6 mths to Mar 31	15.2 (10.8)	0.697 (0.304)	7.85 (6.6)	1.5 July 2	0.6	-	2.95
Car	6 mths to Feb 28	68.3 (69.9)	2.1 (2.98)	5.1 (5.1)	1.56 July 2	-	-	-
Cable Int'l	Yr to Mar 31	11.1 (5.15)	5.52 (4.59)	8.54 (8.1)	3.9 July 25	3.54	5.6	5.08
City of London PLC	Yr to Mar 31	2.45 (2.5)	1.22 (0.92)	9.43 (8.63)	10.11 July 25	3.7	13.2	12
Farrington	51 wks to Feb 21	1.69 (1.24)	0.111 (0.114)	0.45 (0.45)	6 June 9	14.5	25.2	21
Glenmorangie	Yr to Mar 31	40.1 (38.8)	7.94 (6.57)	41.28 (39.37)	10.17 July 25	4.05	7.75	5.81
London Forfeiting	6 mths to June 30	- (-)	- (-)	- (-)	14.2 Aug 1	8.2	8.1	7.2
Powergen	Yr to Mar 30	2,855 (2,833)	577 (597)	64.22 (71.4)	17.4 Aug 1	16.7	26	23
Southdowns	Yr to Mar 29	37 (26.5)	6.33 (3.36)	24.81 (14.82)	5.5 Aug 1	4.07	10.8	10.8
Storehouse	Yr to Mar 29	1,230 (1,084)	87.84 (109.9)	15.2 (17.4)	4.5 Aug 14	3.58	12.8	11.75
Vosper	24 wks to Mar 15	134.9 (125)	15.24 (13.3)	8.33 (7.23)	3.7 July 1	7.9	12.8	11.75
Vosper Thornycroft	Yr to Mar 31	240.7 (237.8)	30.7 (27.7)	61.9 (57.8)	16.5 Aug 13	16.7	26	23
York Waterworks	Yr to Mar 31	8.62 (8.5)	3.37 (3.17)	34.3 (32.4)	8.6 Aug 22	7.9	12.8	11.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. \$After share consolidation. \$In reduced capital. *Restricted. *At May 29 1996.

Reed shares fall on US copyright ruling

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch information and media group, insisted yesterday that a US judicial ruling on the copyright of legal texts would have a "minimal effect" on the company.

Shares in Reed International fell 18p to 877p as analysts at Merrill Lynch downgraded the stock and a New York Times report raised doubts over the future of Reed Elsevier's Lexis-Nexis database.

The sharp fall in the shares followed news that West Publishing, bought by Thomson Corp for \$3.4bn last year, had lost much of its US copyright protection as a result of a Federal

Court ruling.

In January Reed bought about 40 legal publications from Thomson.

The New York Times said that a decision by Judge John Martin in the Federal District Court of Manhattan allowed rival publishers to scan electronically court decisions published in West's law books and republish them.

Analysts feared the ruling, which will be appealed, might reduce copyright protection for Lexis-Nexis.

Reed said that although the ruling clearly rebuffed West's long-asserted right to protection it would have "minimal impact on Reed Elsevier and its electronic legal publishing."

NOTICE TO SHAREHOLDERS

Payment of dividend
The Annual General Meeting of Shareholders held on 21 May 1997 has set the 1996 dividend at £10.50 per share. A tax credit of £5.25 will be added to this dividend.

Payment of the dividend, the amount of which will be dependent on the terms of the double tax convention between France and Great Britain, will be settled upon presentation of the coupon and completion of form KP 4 GB.

Residents may lodge this form with the Bank acting as their agent, either in France or in the United Kingdom, at any time up to 31 December of the second year following the collection date of the coupons. As a result of French legislation on the 'dematerialisation' of securities, payment of the coupons will be made through the banks which the securities have been deposited.



TOTAL SECURITIES ANONYMOUS CAPITAL INVESTMENT SERVICES 25 RUE DE LA PAIX 75002 PARIS FRANCE
HEAD OFFICE TOTAL - 25 RUE DE LA PAIX 75002 PARIS FRANCE
BRANCH OFFICES TOTAL - 25 RUE DE LA PAIX 75002 PARIS FRANCE



TIM - TELECOM ITALIA MOBILE S.p.A.
Legal headquarters in Turin Via A. Bertola n. 34 - Sub-office in Rome, Via L. Rizzo n. 22
Capital Stock 410,203,571,850 L.L. wholly paid up
Entered under n° 2582/95 in the Ordinary Section of the Company Register of Turin
TAX I.D. n° 00947890015

In accordance with the provisions of Articles 7 and 20 of the regulation approved by Consob Resolution no. 5553 of 14th November 1991, notice is hereby given that the documents listed below have been deposited at the Company's registered office in Turin, Via A. Bertola n. 34 (Tel + 39/11/5565709) and at the sub-office in Rome, Via L. Rizzo, n. 22 (Tel + 39/6/39002654) where the public may consult them or request a copy thereof:

- the booklet containing the Financial Statements at 31st December 1996 with the reports from the Board of Directors, the board of Statutory Auditors and the Independent Auditor's certificate;
- the minutes of the Ordinary Shareholders' Meeting of 24th April 1997, approving the 1996 financial statements.

The above mentioned documents have also been filed with the Stock Exchange Council (Consiglio di Borsa) and are available upon request.

This notice can be found at the following Internet address: www.tim.it.



هكزا من الشهل

MANAGEMENT



Engineering leaders

Every month

David McMurtry, chairman and chief executive of Ranishaw, the world leader in specialist measuring probes, presides over an ideas meeting that supplies the company's lifeblood.

The product development meetings of the UK company typically review about 20 ideas, many suggested by McMurtry himself. Usually half the suggestions go forward for development.

This emphasis on product development is a defining characteristic of the 20 outstanding medium-sized engineering businesses in Germany and the UK studied by the Financial Times for this series.

Ranishaw, founded by McMurtry in 1973 and now with 1,000 employees and sales of \$120m, originally made measuring systems for machine tools. Energetic product development has meant that in recent years it has moved into specialised microscopes and calibrating instruments for woodworking, dentistry and gemstone production.

At any time McMurtry is considering hundreds of ideas for products. He puts them in three categories: "doing, planning and dreaming". Every so often ideas move into the "doing" category. A current project is a robot for keeping machine tools stable.

It is a matter of spotting problems and matching them with the technical possibilities, he says.

The constant quest for new ideas can be seen at Prominent, the German company which is the world's biggest maker of specialist metering pumps. Viktor Dulger, the company's founder and owner, recently became an expert on fish farming. Dulger has sold 50 of his company's pumps, all specially adapted, for a fish farm in Darjeeling, China, close to Prominent's Chinese factory.

"In searching for new ideas, you have to look outward," says Dulger, who regards himself as a salesman as much as an engineer. He is investigating another new use for his pumps - feeding special colours into the air-conditioning in supermarkets and warehouses.

Dulger started his company in Heidelberg in 1960. He was convinced, after a two-year spell in a milk factory, that there was a need for electrically powered pumps which could handle liquids with an accuracy of up to a fifth of a millilitre.

The company, which now has

annual sales of \$141m, makes its pumps in 2,500 variations. About 60 per cent are sold to sewage treatment or water works. Other applications include food preparation, domestic goods and medical equipment.

Vitec, a UK company which is the world's biggest maker of camera mounting equipment, has its own system for making sure product ideas circulate between different parts of the group.

A committee of technical people meets every three months somewhere in Europe. It brings together the four parts of the company, which are based in Paris, Munich, Venice and Suffolk, in the UK. The meetings act as a sounding-board for new ideas.

"A theorist might advise bringing all the four parts together in one big factory in the middle of Europe," says Malcolm Baggett, Vitec's chief executive. "But this would interfere with the sense of ownership that's important for the business as a whole."

Often companies find they can use technical ideas from existing product areas for a new application. This has been the case for Netzsch, a company in Selb,

northern Bavaria, which is the world leader in filters for the ceramic industry and makes specialist pumps and grinding systems. Netzsch recently fed developments from its existing products into a division making mixing systems for the ink and paint industry.

The company, established in 1873 and family-owned, is adapting its pumping technology for a bizarre application - a pump for factory ships off the coast of Peru which combines high power and

gentle handling to move thousands of fish a minute without chewing them up.

Huntleigh, a UK company, has used the same tactic of adapting technical ideas to new applications. The company is among the largest in Europe making special pressurised mattresses designed to prevent invalids getting bed sores. It has employed some of the electronic techniques used in the sensing equipment in the mattresses for a new set of instrumentation products. These include handheld scanners for monitoring foetuses and other equipment for medical use.

Rolf Schild, the German-born founder and chairman of the company, has firm views on why German engineering companies are generally more successful than their UK counterparts. He believes British engineers are equally brainy, but are not as keen to "get their hands dirty" in translating ideas into new products - a view McMurtry is bound to disagree with as he prepares to move his next batch of brainwaves to the "doing" stage.

The next article in this series will appear next Friday.

Probing: McMurtry, the founder of Ranishaw, has hundreds of ideas for new products under consideration

Selling: Dulger sees himself as a salesman as much as an engineer

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Probing: McMurtry, the founder of Ranishaw, has hundreds of ideas for new products under consideration

Tinderboxes for inspiration

Peter Marsh looks at the methods which leading engineering companies use to nurture innovation

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How to turn an average worker into a star

Networking, self-management and showing initiative can all be taught, finds Vanessa Houlder

A century ago, the productivity of manual workers was overhauled by the introduction of "scientific" management methods. Now it is the turn of the so-called "knowledge workers" to have their productivity scrutinised.

Why, management theorists wonder, are some professionals so much more effective than others who appear equally bright and hard-working? What would improve the performance of people such as scientists, programmers and designers whose work involves specialist expertise, problem-solving and creativity?

These questions are fraught with difficulty. Peter Drucker, the management thinker who coined the phrase decades ago, has repeatedly pointed out that there is still no satisfactory definition of productivity for knowledge workers.

Moreover, businesses are often reluctant to exert their knowledge workers to be more productive, fearing that if employees are pushed too far, they may withhold their best ideas or even leave the company.

Nonetheless, research in the US has come to some intriguing conclusions about the performance of knowledge workers, which implies that people can learn to improve their productivity.

One study began in 1986 at Bell Laboratories, now Lucent Technologies. As a famous research institution, Bell Labs was able to recruit very high-calibre staff. Yet it was not obvious to the lab managers why some staff proved exceptional while others were merely solid performers.

Two researchers, Robert Kelley and Janet Caplan, wanted to test their hunch that high-fliers would be found to have some natural advantages, such as high levels of intelligence or motivation. But tests told them nothing. "We found absolutely nothing. Not one single test predicted performance," says Caplan.

They then asked individuals

to pinpoint the factors that made people successful to see if the high performers gave different answers.

Some clear themes emerged. The most important factor, the high performers suggested, was a willingness to take the initiative. The second most important factors were networking and self-management, followed by an ability to give a good presentation and a flair for organisational diplomacy.

The importance of these factors has been underlined by a UK research project this year by DDI, a development consultancy. It consulted 218 knowledge workers, including engineers, legal specialists, software developers, scientists, accountants and technicians. They broadly

agreed with the Bell engineers' assessment of the skills necessary for success.

But do these studies really prove anything? Since the definition of high performers relied on the viewpoint of managers, there is a risk that the studies focused on people who are politically astute rather than genuinely productive.

There is some justification for this. Kelley and Caplan found that the engineers' own peers only agreed with the managers on half the people who were rated as top performers.

But the researchers argue that the opinion of managers is the only sensible way of assessing productivity.

Moreover, the Caplan and Kelley study revealed some telling differences between the answers given by the stars and those of their less successful colleagues. The middle-ranking engineers thought that presentational skills and understanding how the organisation works were crucial to success, while the

best performers deemed these skills useful but not essential.

Furthermore, the middle performers had a poor understanding of what was meant by initiative, which the better employees interpreted as taking risks and going above and beyond the call of duty. Star performers also had a more enterprising attitude to networking.

Kelley and Caplan reckoned that the important skills, such as initiative, networking, self-management, teamwork and organisational diplomacy could be taught. They organised six half-day sessions around these topics.

The success of this training was monitored by the managers of the 300 course participants and the control group, who were asked to fill in performance surveys before training began and eight months after its completion. The result was that participants more than doubled their productivity compared with non-participants.

But Caplan admits that its success depends on having a workforce that is already highly skilled and motivated. It is unlikely to work in organisations where people feel that their productivity and good ideas are insufficiently rewarded.

Moreover, she warns against giving knowledge workers rigid prescriptions about the best way to work. "People who do their job well do it in different sorts of ways," she says. "It is very important to respect that."

Convincing knowledge workers - who tend to be particularly intelligent and sceptical - that productivity depends on networking and displays of initiative may not be easy. Indeed, Caplan acknowledges that it is not possible to turn every average worker into a star.

Nonetheless, she is convinced that it is not what you are but how you work that counts. "High performance is less dependent than people think on innate gifts," she says. "It is extremely dependent on everyday work strategies."

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INTERNATIONAL CAPITAL MARKETS

Prices fall further on heavy US selling

GOVERNMENT BONDS

By Richard Lapper
in London and Jane
Marinson in New York

European and US prices fell further yesterday amid continued reports of heavy sales by US investment banks and hedge funds. Traders said a number of institutions that have borrowed cheaply in yen to invest in US and European bonds were unwinding their positions ahead of expected increases in Japanese interest rates later this year. Some hedge funds were also said to be liquidating bond positions in order to cover losses in the currency markets.

"The leveraged element of the market has been selling

in the 10-year area," said Mr. Alex Cooper, manager with Tullett & Tokyo in London. "Activity has picked up sharply and we have seen liquidations," he added, pointing to relatively high volumes in the Liffe trading pits.

Mr. Mark Fox, chief European strategist at Lehman Brothers, said yesterday's selling was "yet another shock wave" from this month's moves in the currency markets which saw the yen strengthen against the US dollar. "You can't move two major currencies that quickly without expecting major consequences. We are in a very fragile market environment," he said.

GERMAN BONDS fell sharply in the early after-

noon, with the June bond future at Liffe settling at 100.72, down 0.50.

ITALIAN BTPs and SPANISH BONOS were weaker, underperforming bunds. The June BTP future lost a point to settle at 128.45, while in Barcelona the June bond eased 0.50 to settle at 115.20.

UK GILTS fell sharply after a disappointing response to the auction of £1.5bn 8 per cent gilt due 2021. The auction attracted cover of only 1.29 times with a yield tall of four basis points. Over the day, yields on the auctioned gilt rose by 15 basis points to 7.47 per cent, compared with a 13 basis point rise for the 10-year benchmark. On Liffe the June long gilt future lost 1/4 to settle at 111.74.

Mr. Nigel Richardson, senior bond strategist at Yamachi, said the auction response showed that investor enthusiasm "had got out of hand" during this month's rally in the gilts market.

US TREASURIES fell at mid-session yesterday, with the benchmark 30-year bond hovering just below the important 7 per cent yield barrier. It fell 1/4 to 95 1/2, pushing the yield to 6.983 per cent.

Traders said sellers continued to be dominated by hedge funds unwinding positions based on the strong dollar against the yen and those who had bet on interest rates being raised on Tuesday.

Mr. Kevin Slender, head of trading and sales at First

Chicago capital markets, said the market would need a shove from either earnings or economic figures before it made it through the "psychological barrier" of 7 per cent.

This week's trend for the yield curve to steepen continued: the two-year bond fell 1/4 to 100 1/4, yielding 6.216 per cent, while the 10-year note fell 1/4 to 95 1/2, yielding 6.738 per cent.

Liffe, the London-based financial futures and options exchange, yesterday resumed trading in the December 1997 maturity of its future on Italian BTPs, writes Samer Iskandar.

The new contract will have a notional coupon of 8 per cent, down from 12 per cent previously.

Brazil revives talk of Brady bond demise

By Edward Luce

Market speculation about the decline of the Brady bond has been revived by Brazil's decision to exchange up to \$1bn of its Brady for a 30-year global bond issue next month.

The move, announced by Brazil on Wednesday, trails similar Brady swap transactions by Mexico and the Philippines last year. It also follows a series of less-publicised Brady buy-back operations in the last few months by Poland, Panama and Ecuador.

Yet, in spite of the favourable judgement of the market, analysts say it is premature to talk about the death of Brady bonds. With less than \$5bn swapped so far, Brady redemptions have barely dented the market. At \$150bn, total outstanding Brady still far outweighs their counterparts in the sovereign emerging market debt.

"The Brady market is obviously declining but it is going to be a very long and slow death," said Ms Helene Williamson, director of fixed income at Foreign & Colonial emerging markets in London. "There is no way that much more than a fraction of the Brady market is going to be retired in these sorts of operations."

Is it simply death by a thousand cuts, therefore? Mr. Richard Gray, emerging market economist at the Bank of America, says Brads are likely to fade into insignificance quite rapidly. The convergence between Brady and eurobond spreads is gathering intensity he says. The upshot, will be a gradual merging of the two assets classes.

"Our strategy is to arbitrage the difference between eurobonds and Brads," said Mr. Gray.

"This will have much more impact on the Brady market in the long-run than minor buy-backs or Brady exchange operations."

However, with the spread on Brazilian par bonds tightening from 538 basis points over US Treasuries on Tuesday to just 477 points yesterday, Brazil's move was still well received.

Although much of the Brady market's rally was triggered by the US Federal Reserve's decision to leave US interest rates unchanged on Tuesday, Brazilian Brads still outperformed the market.

"The [proposed] exchange will definitely raise Brazil's profile but it is unlikely to have much impact on the Brady market as a whole," said one syndicate official.

"From Brazil's angle it is likely to enhance its creditworthiness."

Most notable is Brazil's decision to join Mexico and Colombia by extending its yield curve to 30 years. With US Treasuries on hold after the FOMC meeting last Tuesday, the timing for the issue is considered good.

Under the "Dutch auction" system for the exchange, Brazil has set a floor on bids of 300 basis points over 30-year Treasuries.

After the June 3 deadline for the bids, Brazil will set a clearing price for the global issue. Theoretically, it could total up to \$26bn, although traders say it will almost certainly be less than \$26bn.

RIBS launches first French franc deal

INTERNATIONAL BONDS

By Samer Iskandar
and Edward Luce

Primary market activity was disrupted yesterday by a surge in volatility early in the European afternoon, soon after the start of trading in New York.

RIBS, the special-purpose vehicle set up to buy European government securities and issue securities backed by its holdings, yesterday launched its first franc-denominated transaction, FF1.5bn of bonds maturing in November 2002.

Deutsche Morgan Grenfell, which led the issue jointly with Credit Commercial de France, said: "The deal has sold very well and we do not have any paper left."

Because the securities are collateralised by sovereign

bonds they have a zero capital weighting, meaning investors do not have to hold any capital provisions against their holdings. Both lead managers said this was a favourable selling factor.

CCF said the issue attracted money market investors, who typically buy short-dated paper, mainly money market funds and corporate treasurers. DMG also saw demand outside France, notably from the Benelux region and the UK.

The transaction was the fourth by RIBS. The others were in D-Marks, sterling and Swiss francs.

CREDIT SUISSE FIRST BOSTON also tapped the franc sector, with FF750m of perpetual bonds. The securities pay a coupon of 6.5 per cent for 10 years, after which the borrower can redeem them or switch to a

New international bond issues

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book-runner
ABN-Ned (Netherlands)	250	6.25	99.750R	Jun 1999	0.125R	Flat (W 2y)	Commerzbank/Nomura
US Telecom International Inc	150	4.858	100.00R	May 2011	1.00R	+175 (94-07)	CSFB
Southern Peru (Peru)	150	6.50	99.00R	May 2002	1.00R	+303 (M 5y)	Bank of America
IMPSA (Mexico)	150	6.50	99.00R	May 2002	1.00R	+303 (M 5y)	Bank of America
Norfolk Southern (USA)	150	8.00	100.12R	Jun 2002	0.375R		SGC Warburg
REPSOL (Spain)	1.5bn	6.125	100.00R	Nov 2002	0.15R		OCF Deutsche MG
CSFB (Spain)	750	6.125	100.00R	Nov 2002	0.15R		OCF Deutsche MG
SAZKA (Czech Republic)	250	5.50	102.50	Jul 2005	2.00		SELB/ABN
Treasury Investment Inc	250	5.875	102.50	Jul 2005	2.00		SELB/ABN
European Investment Bank	100m	5.75	100.00	Jun 2002	0.25		BPVGO
NEW ZEALAND DOLLARS	100	7.50	100.385	Jun 2001	1.625		Dresdner/Toronto Dom
OSCE (OSCE)	500	6.04	100.00	Jun 2004	0.25	+268 (94-03)	Grand Cayley Secs Corp

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch applied by lead manager. Interest rate, 3 per cent unless stated. Basis shown at re-offer level of 1/32nds. Settlement: American semi-annually from 2011/07; average life 2.1 yrs. Callable anytime at 100% of par. Mandatory redemption clause, at 100% of par. Monthly coupon. 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CURRENCIES AND MONEY

Rogue trade adds to pound's woes

MARKETS REPORT

By Simon Kuper

Sterling plunged yesterday for several reasons, among them a report that the pound was being sold by a trader who had bought it at a rate of about DM2.50 to the pound. The trader, who was not named, had bought the pound at a rate of about DM2.50 to the pound. The trader, who was not named, had bought the pound at a rate of about DM2.50 to the pound.

Strategists also blamed the pound's fall on a *Confederation of British Industry* survey showing export demand at its lowest level since November 1993, fears over the reforms of the Bank of England, and belief that the UK will join European monetary union.

Mr. Arminash Pears, currency strategist at J.P. Morgan in New York, said there was a growing belief that the

UK would enter the second round. Many investors believed that as a prelude to entry, the pound would rejoin the European exchange rate mechanism in the next few years, probably at a rate of about DM2.50 to the pound. The trader, who was not named, had bought the pound at a rate of about DM2.50 to the pound.

Mr. Ray Atrill, analyst at C.A.S.T. in London, also cited sales by US funds of gilts and German hunds. The funds had had to realise profits on these assets, he said, because they had suffered losses in funding their attacks on the Thai baht.

Late yesterday the pound stood at DM2.753 to the D-Mark and the dollar, 4.2 pence and 2.5 cents below Wednesday's London close.

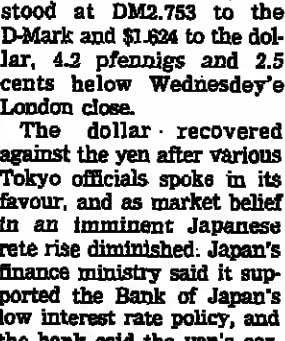
The dollar recovered against the yen after various Tokyo officials spoke in its favour, and as market belief in an imminent Japanese rate rise diminished. Japan's finance ministry said it supported the Bank of Japan's low interest rate policy, and the bank said the yen's correction against the dollar had been too rapid.

Mr. Robert Rubin, US treasury secretary, repeated that Washington still supported a strong dollar. Traders are increasingly taking the view that the dollar no weaker than ¥110 to the yen.

However, the dollar fell to hold above the ¥116 level. It closed in London ¥17 higher at ¥115.9.

The D-Mark firmed slightly against the dollar to DM1.693, aided by a stronger than expected Ifo survey of German business confidence for April. The currency also jumped ¥1.07 against the yen to ¥88.47.

After the D-Mark (New per DM)



Source: Reuters

the yen.

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After the D-Mark (New per DM)

19.3396	2.9			103.1
56.9558	3.3	55.2258	3	103.0
10.4692	3.0	10.2387	2.8	105.7
				82.2
8.9478	3.1	8.0252	3.2	108.0
2.7441	3.4	2.6738	3.4	104.4
				85.0
1.0771	0.3	1.0701	0.7	96.3
-0.5	0.2	7721.62	0.4	76.4
16.9559	3.3	55.2258	3.3	103.0
3.0942	3.4	3.0061	3.4	102.8
1.14195	3.1	11.7135	2.9	96.1
778.321	0.8			88.9
3.24.496	1.0	225.741	1.4	77.9
2.53123	2.2	12.1183	2.1	84.5
2.277	4.9	2.199	4.9	106.1
				98.4
.141	2.4	1.3828	2.5	.

COMMODITIES AND AGRICULTURE

Zambia says copper sale is still on track

By Mark Ashurst in Johannesburg

Zambia yesterday insisted that the sell-off of the state copper mining company remained on track in spite of the surprise withdrawal of South Africa's Gencor from one mine.

Mr Ronald Penza, finance minister, said the sale of Zambia Consolidated Copper Mines (ZCCM) would start as planned.

"We should be able to start the sales process by the end of next month," said Mr Penza. He added

that not all ZCCM assets might be ready for sale by the June 30 target date, as the government and potential buyers negotiated terms for the various packages on offer.

On Wednesday Gencor, South Africa's second-largest mining house, announced that it had withdrawn from a consortium considering development of Konkola Deep, Zambia's richest known copper reserve.

The remaining consortium members - Anglo American, South Africa's largest mining

house, with 40 per cent and Falconbridge of Canada with 30 per cent - yesterday said they would continue with a feasibility study on the mine and on-going negotiations with the government. "The possibility of inviting other companies to join... the consortium will be considered at the appropriate time," said Falconbridge.

Gencor said it was withdrawing because of a lower than expected rate of return on the 340m tonne copper deposit, the nature of investment incentives offered by

the Zambian government, and power costs.

In spite of the government's confidence, the withdrawal of Gencor is a blow. Participation by foreign companies is seen as crucial to the development of Konkola and Gencor is the second company in less than a year to pull out of the project. Last July Australia's Western Mining Corp withdrew saying the project did not meet its criteria.

ZCCM urgently needs new capital to settle debts of about \$800m

and develop a mining industry hit hard by declining copper production and low gold prices.

The Konkola development is expected to cost between \$700m and \$800m and would have a life of 30 years with an annual capacity of about 180,000 tonnes of finished copper. The expected grade is 3.8 per cent, four times higher than Anglo group's flagship Collahuasi copper mine in Chile.

If the project goes ahead, it would reverse a trend of three decades of falling output at ZCCM.

But the delays have frustrated Zambian officials, who last year granted rights to develop the adjacent Konkola North deposit to another South African mining house, Anglovaal.

Zambia's copper production has fallen from 720,000 tonnes in 1969 to 327,000 tonnes last year. A revival in the sector is critical if Zambia is to retain current levels of donor support for its fragile balance of payments, which underpins its programme of economic structural adjustment.

Busang legacy lays a minefield in Canada

Heads are spinning in Canada's mining community after a series of events that have left the industry both embarrassed and encouraged.

On the one hand, the scandal surrounding Bre-X Minerals' gold operations at Busang in eastern Borneo has cast a long shadow over the junior exploration companies, mining promoters and investment dealers that have made Toronto and Vancouver two of the world's mining capitals.

The embarrassment over the adding of gold to the Bre-X samples - a process known as salting - has been compounded in recent days by suspicious exploration results from two other companies.

Vancouver-based Delgratia Mining has acknowledged that samples from a much-touted orebody in Nevada were tampered with. Golden Rule Resources has launched a probe into suspected salting of samples from a property in Ghana.

But even as players in the Bre-X fiasco lick their wounds, the industry has been buoyed by a decision by Boliden, the Swedish mining group, to move its head office to Toronto and seek a listing on the Toronto Stock Exchange.

Boliden is in the throes of a \$850m (US\$683m) initial public offering, the biggest by any company on the TSX this year. Presentations were made to European investors this week.

"Toronto is the financial centre for the mining world and is the domicile for a large number of international mining companies," Mr K. Nilsson, president of Trailblazer, Boliden's parent, said earlier this year.

Mr Nilsson told one Toronto mining executive in his office more recently that "within five minutes of here, I can walk to any of the large mining companies". But the Bre-X, Delgratia and Golden Rule sagas have uncorked an orgy of soul-searching. The Ontario Securities Commission, the Toronto Stock Exchange and British Columbia's chamber

of mines have launched reviews into how exploration companies report assay results.

The scandals have reignited calls for a national securities commission to replace the fragmented system of provincial regulators. The scope for conflicts of interest among promoters and analysts is under renewed scrutiny.

A shake-up among the small exploration companies that are a feature of Canada's mining scene appears to be in the offing. Several have already been forced to shelve financings and the lacklustre outlook for gold could step up the pressure.

"There will be a weeding out. The number of mining stocks has grown considerably since 1991," says Mr John Kilburn, analyst at McDermid St Lawrence Securities in Vancouver. "The number of mining stocks has grown considerably since 1991. I think some of the companies will fall off the table."

Mr John Brock, a Vancouver geologist and mining promoter, predicts "lots of mergers and amalgamations at the junior level". However, mining executives also caution against an over-reaction.

Mr Bill James - chief executive of Immet Mining, a copper and gold producer and former head of Falconbridge, the nickel and zinc group - plays down the problems. "Canada is a leader in the mining industry and this hasn't made any change," he says. "We're still putting out metal and we'll continue to do that."

Mr James notes that small, entrepreneurial companies have unearthed an "inordinate" number of orebodies in relation to the money they spend.

Big discoveries in the past decade or two include the Hemlo gold belt in north-

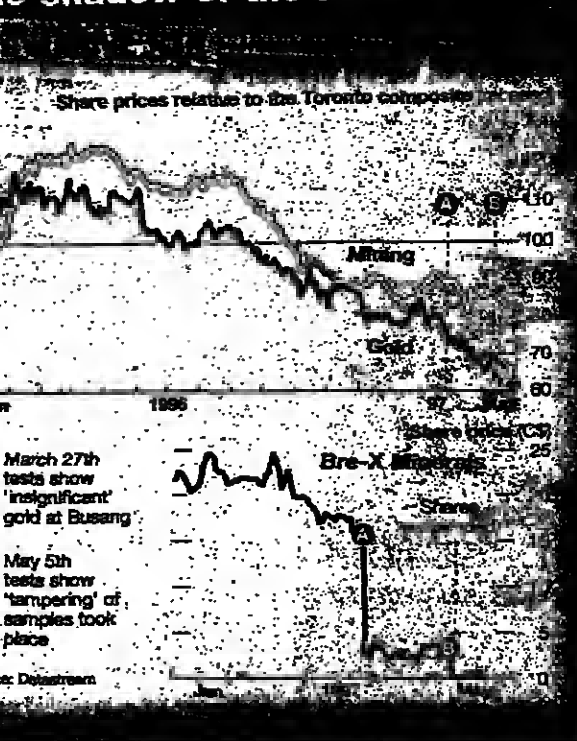
west Ontario, the Lac de Gras diamond property in the Northwest Territories, and the Voisey Bay nickel, copper and cobalt deposit in Labrador. Exploration work will go ahead as before, Mr James says, with the possible exception of Borneo.

Mr Clive Johnson, president of Bema Gold, a small Vancouver-based producer, predicts that juniors' recent difficulty in raising capital would prove temporary. "Good people with good projects will continue to be financed," he says.

Mr Johnson believes that junior companies with limited cash reserves will be forced to work more closely with stronger, more established producers in the early stages of exploration. But some senior producers have warned that they may prefer to keep more exploration work to themselves in the wake of the Bre-X embarrassment.

The disparate opinions and forces at work are encapsulated at Nesbitt

In the shadow of the Bre-X scandal



Source: Delgratia

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 Purity (\$ per tonne)

Cash 3 mths

Clos 1829.90 1838.5-40.0

Prev 1835.5-6.5 1850.5-1.5

High/Low 1835/1838 1850/1851

AM Official 1835.5-3.0 1842.5-3.0

Kerb close 1835.4

Open int. 286.245

Total daily turnover 88,263

ALUMINIUM ALLOY (\$ per tonne)

Clos 1475-80 1495-500

Prev 1480-85 1500-5

High/Low 1480/1490 1500/1498

AM Official 1475-80 1495-500

Kerb close 1475-80

Open int. 5,078

Total daily turnover 1,440

LEAD (\$ per tonne)

Clos 635.5-6.5 644-4.5

Prev 639-30 640-1

High/Low 639/640 640/641

AM Official 633-4 643-4

Kerb close 633-4

Open int. 36,700

Total daily turnover 8,598

NICKEL (\$ per tonne)

Clos 7525-35 7530-40

Prev 7495-75 7500-55

High/Low 7495/7500 7500/7540

AM Official 7495-90 7505-10

Kerb close 7495-90

Open int. 49,772

Total daily turnover 14,650

ZINC (\$ per tonne)

Clos 5715-25 5765-70

Prev 5725-35 5770-80

High/Low 5725/5730 5730/5740

AM Official 5720-30 5775-80

Kerb close 5720-30

Open int. 14,572

Total daily turnover 3,074

ZINC, special high grade (\$ per tonne)

Clos 1347.5-8.5 1368-9.5

Prev 1332.5-3.5 1354-5

High/Low 1332/1348 1350/1348

AM Official 1342-2.5 1363-0.5

Kerb close 1342-2.5

Open int. 80,982

Total daily turnover 25,788

COPPER, grade A (\$ per tonne)

Clos 2619.5-21.5 2622.5-3.5

Prev 2615-5.5 2627-6

High/Low 2615/2620 2620/2648

AM Official 2619-20 2632-0.8

Kerb close 2619-20

Open int. 157,424

Total daily turnover 61,845

LME ALUMINIUM 2% RATE, 1.6395

LME Closing 2% rate, 1.6395

Set 1.5471 3 mths 1.5471 6 mths 1.5420 9 mths 1.5336

HIGH GRADE COPPER (COMEX)

Clos 118.30 +0.75 119.20 118.20 365 1243

Jan 118.00 +0.75 118.50 118.25 286 2487

Jul 118.50 +0.75 119.00 118.75 4595 3725

Aug 118.25 +0.35 117.70 117.80 15 1770

Sep 117.85 +0.20 117.40 117.50 789 6519

Oct 117.15 +0.05 117.20 117.10 3 1088

Total 6,526 81,046

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz) \$ price £ equiv SFR equiv

Clos 343.05-343.50

Opening 342.10-342.60

Morning fix 342.95 209,167 484,520

Afternoon fix 342.75 209,185 482,592

Day's High 343.00-343.50

Day's Low 342.20-342.50

Previous close 342.80-343.10

LME ALUMINIUM 2% RATE, 1.6395

LME Closing 2% rate, 1.6395

Set 1.5471 3 mths 1.5471 6 mths 1.5420 9 mths 1.5336

HIGH GRADE COPPER (COMEX)

Clos 118.30 +0.75 119.20 118.20 365 1243

Jan 118.00 +0.75 118.50 118.25 286 2487

Jul 118.50 +0.75 119.00 118.75 4595 3725

Aug 118.25 +0.35 117.70 117.80 15 1770

Sep 117.85 +0.20 117.40 117.50 789 6519

Oct 117.15 +0.05 117.20 117.10 3 1088

Total 6,526 81,046

PRECIOUS METALS

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Afternoon fix 342.75 209,185 482,592

Day's High 343.00-343.50

Day's Low 342.20-342.50

Previous close 342.80-343.10

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

Clos 342.80 -0.3 343.20 342.80 343.20

Jan 342.80 -0.3 343.20 342.80 343.20

Jul 342.80 -0.3 343.20 342.80 343.20

Aug 342.80 -0.3 343.20 342.80 343.20

Sep 342.80 -0.3 343.20 342.80 343.20

Oct 342.80 -0.3 343.20 342.80 343.20

Nov 342.80 -0.3 343.20 342.80 343.20

Dec 342.80 -0.3 343.20 342.80 343.20

Total 342.80 -0.3 343.20 342.80 343.20

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

Clos 389.0 -1.1 390.0 389.0 390.0

Jan 389.0 -1.1 390.0 389.0 390.0

Jul 389.0 -1.1 390.0 389.0 390.0

Aug 389.0 -1.1 390.0 389.0 390.0

Sep 389.0 -1.1 390.0 389.0 390.0

Oct 389.0 -1.1 390.0 389.0 390.0

Nov 389.0 -1.1 390.0 389.0 390.0

Dec 389.0 -1.1 390.0 389.0 390.0

Total 389.0 -1.1 390.0 389.0 390.0

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

Clos 177.50 -1.75 179.00 177.50 179.00

Jan 177.50 -1.75 179.00 177.50 179.00

Jul 177.50 -1.75 179.00 177.50 179.00

Aug 177.50 -1.75 179.00 177.50 179.00

Sep 177.50 -1.75 179.00 177.50 179.00

Oct 177.50 -1.75 179.00 177.50 179.00

Nov 177.50 -1.75 179.00 177.50 179.00

Dec 177.50 -1.75 179.00 177.50 179.00

Total 177.50 -1.75 179.00 177.50 179.00

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

Clos 17.25 -0.25 17.50 17.25 17.50

Jan 17.25 -0.25 17.50 17.25 17.50

Jul 17.25 -0.25 17.50 17.25 17.50

Aug 17.25 -0.25 17.50 17.25 17.50

Sep 17.25 -0.25 17.50 17.25 17.50

Oct 17.25 -0.25 17.50 17.25 17.50

Nov 17.25 -0.25 17.50 17.25 17.50

Dec 17.25 -0.25 17.50 17.25 17.50

Total 17.25 -0.25 17.50 17.25 17.50

CRUDE OIL (WTI) (\$/barrel)

Clos 20.28 +0.18 20.46 20.28 20.46

Jan 20.28 +0.18 20.46 20.28 20.46

Jul 20.28 +0.18 20.46 20.28 20.46

Aug 20.28 +0.18 20.46 20.28 20.46

Sep 20.28 +0.18 20.46 20.28 20.46

Oct 20.28 +0.18 20.46 20.28 20.46

Nov 20.28 +0.18 20.46 20.28 20.46

Dec 20.28 +0.18 20.46 20.28 20.46

Total 20.28 +0.18 20.46 20.28 20.46

HEATING OIL NYMEX (42,000 US gal; \$/gal)

Clos 57.55 +0.10 57.65 57.55 57.65

Jan 57.55 +0.10 57.65 57.55 57.65

Jul 57.55 +0.10 57.65 57.55 57.65

Aug 57.55 +0.10 57.65 57.55 57.65

Sep 57.55 +0.10 57.

FT MANAGED FUNDS SERVICE

LUXEMBOURG
(SIB RECOGNISED)

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OFFSHORE

LONDON STOCK EXCHANGE

Gilts weakness takes shine off equity market

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

UK shares shrugged off early nervousness triggered mostly by a weak showing from global bonds. Dealers preferred instead to focus on the latest flurry of takeover rumours.

The rumours were again mostly concentrated in the financial areas of the market and specifically in the insurance sector which is gathering itself for next month's flotation of Norwich Union.

Just as the banking sector was set alight by the much better

than expected flotation of Alliance & Leicester, the big insurance stocks have been attracting strong buying interest on the view that Norwich shares will perform similarly.

There was also talk that unofficial "grey market" dealings had commenced in the Halifax building society. The shares were said to have been initially quoted above 700p.

At the close of trading, the FTSE 100 was 9.8 higher at 4,501.5, completing a good recovery which saw the index recoup an early 18.5 decline. The FTSE 250, meanwhile, closed at the day's lowest point, up 1.1 at 4,501.5, after a session high of

4,508.3, weakened by the sharp fall in transport stocks after the referral of National Express's proposed acquisition of ScotRail. That news triggered heavy losses in National Express, FirstBus and Stagecoach. The FTSE SmallCap extended its recent under-performance, losing 1.6 more to 2,300.0, having dipped below the 2,300 level at one point.

The initial slide was triggered by overnight weakness in US bonds and a sluggish showing by Wall Street, where the Dow Jones Industrial Average had finished the session 12 points lower.

UK dealers were surprised at London's resilience in the face of another poor performance by

gilts, which extended opening losses and closed under some serious downside pressure. Longer dated stock was down 17 points after a disappointing gilt auction - 11.5bn of 25-year stock. Bids at the auction covered the issue only 1.28 times, much lower than the three times cover for Tuesday's auction of the same amount of five-year gilts.

The day's economic news, retail sales for April and the Confederation of British Industry's latest survey of monthly trends, for May, gave slightly conflicting views. The 0.1 per cent rise in retail sales was partly responsible for the stock market's rally after its difficult start.

The FTSE 100 still closed well below the session high, however. And, once again, it was looking distinctly unhappy just before the close, when gilts were seriously weak and Wall Street moving decisively lower.

The Dow was down over 30 points shortly after London closed.

Marketmakers in London generally remained wary of the equity market performance, which they said was at odds with the continued weakness in gilts. "It can only be the bid stories and the Halifax/Norwich Union effect that is keeping the market up," said one senior trader. Turnover at 6pm was 834.2m shares.



Indices and ratios

FTSE 100	4501.5	+9.8	FT 50	2997.5	+9.8
FTSE 250	4501.5	+1.1	FTSE Non-Fin p/e	18.76	18.65
FTSE 350	2253.3	+4.0	FTSE 100 Fut Jun	4666.0	+8.0
FTSE All-Share	2212.70	+3.48	10 yr Gilt yield	7.32	7.18
FTSE All-Share yield	3.50	3.60	Long gilts/yield ratio	2.10	2.05

Best performing sectors

1 Alcohol/Beverages	+1.9
2 Extractive Industries	+1.4
3 Tobacco	+1.3
4 Paper/Poly & Printing	+1.0
5 Property	+0.9

Worst performing sectors

1 Pharmaceuticals	-0.9
2 Diversified Industrials	-0.8
3 Telecommunications	-0.5
4 Transport	-0.5
5 Retailers/Food	-0.4

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (Liffe) 250 per full index point (APT)

	Open	Settle	Change	High	Low	Est. vol	Open Int.
Jun	4541.0	4501.5	+8.0	4582.0	4506.0	12624	70728
Sep	4675.0	4700.5	+9.0	4705.0	4675.0	223	6129
Dec	4740.0	4748.0	+10.0	4740.0	4740.0	8	522

■ FTSE 250 INDEX FUTURES (Liffe) 250 per full index point

	Open	Settle	Change	High	Low	Est. vol	Open Int.
Jun	4512.0	4501.5	+1.0	4512.0	4501.5	0	5083
Sep	4583.5	4583.5	+1.0	4583.5	4583.5	0	300

■ FTSE 100 INDEX OPTION (Liffe) 250 per full index point

	4500	4550	4600	4650	4700	4750	4800	4850
Jun	189	224	149	114	45	7	3	2
Sep	225	189	114	45	7	3	2	1
Dec	189	224	149	114	45	7	3	2

■ EURO STYLE FTSE 100 INDEX OPTION (Liffe) 250 per full index point

	4475	4525	4575	4625	4675	4725	4775	4825
Jun	285	17	189	25	285	37	60	12
Sep	285	17	189	25	285	37	60	12
Dec	285	17	189	25	285	37	60	12

Call 4.105 Put 0.530 * Underlying index value. Premiums shown are based on settlement price. † Long call only month.

Switch boosts Tesco

By Joel Kibazo
and Peter John

Food retailer Tesco was one of the day's worst performers, the shares falling 7 to 379p, on a combination of switch advice from a broker and rumours of an acquisition.

BZW, which still rates the stock for the long term, yesterday suggested clients switch out of Tesco and into Safeway. Mr David McCarthy at the UK investment bank believes Tesco's sales growth at 4 per cent in recent weeks. He blames the declines in inflation for the retreat.

The early part of the session also brought another wave of rumours suggesting the company was poised to make an acquisition in France. Tesco denied the speculation and said there were no further moves into France being planned.

"There's nothing other than what we've already got out there with Cateau," it said. The company acquired the French retailer Cateau in 1992.

Tesco shares have been strong recently, hitting an all-time high of 394p at the end of last week. Dealers attributed some of the buying of the stock to UBS, the group's broker, which was

said to be acquiring stock for the company's employee share option scheme.

Safeway put on 7 to 366p, in trade of 8.5m. A two-way pull in both J. Sainsbury and Asda saw shares in the former close half a penny lower at 361p, after trade of 6.8m while the latter shed half a penny to 119p.

Reed International retreated 18 to 607p - the biggest fall in the Footsie - following a US press report that a rival had lost much of its US copyright protection after a federal court decision. Reed has a big legal publishing arm in the US and while all law rulings are in the public domain, the report reminded investors that Reed does not have proprietary control.

Meanwhile, Merrill Lynch used the opportunity to lower its rating and forecasts on the company. The broker shaded its "buy" stance to a more cautious "accumulate".

And it cut its current year profit forecast by 3.5 per cent to 2964m. Dealers said NatWest and Fleming Securities were also poised to downgrade their stances or forecasts on Reed.

The shares have performed strongly in an under-performing sector, partly as a consequence of the recent one-for-one share split. Shares in Reuters Holdings jumped sharply in afternoon trading as word

whipped round dealing rooms that one US broker had published an enthusiastic buy recommendation. It transpired that Prudential Securities in the US initiated

coverage of the stock with a buy rating and set a 12-month share price target of \$78.

American Depositary shares of Reuters Holdings were trading at \$85 1/2 and, in the UK, Reuters was more than 20 at one stage before ending the day 11 1/2 higher at 677p.

Banking issues ran into profit-taking, with National Westminster dragged back 8 1/2 to 793p, as dealers pointed to a line of stock overvaluing the market.

Abbey National fell 8 to 917p while Barclays shed 4 to 308p. But Halifax, the motor behind the sector's drive, was apparently being sought out at a premium price ahead of flotation on June 2.

Dealers said the unofficial "grey" market was 700p a share. Glaxo-Wellcome shed 15 to

£12.20p with some brokers suggesting that US investors have been lightening their American Depositary Receipt holdings in the pharmaceuticals giant. Glaxo said that the ADR weighting was 9.46 per cent.

BAT Industries improved 13 to 573 after a favourable Maryland court action on a tobacco lawsuit.

Insurers gained ground ahead of next month's launch of Norwich Union. Legal & General, which is expected to be the closest proxy for Norwich in terms of market capitalisation, added 5 to 460p.

Annual meeting anticipation took two stocks in different directions. Laporte, the chemicals group, gained 6 to 652p ahead of today's AGM while Barmah-Castrol dipped 11 to 510.11p.

Oil prices were higher but

the rally in the majors showed signs of petering out. Shell Transport, buoyed by its presentation earlier this week, was up strongly in early trading and ended 5 1/2 higher at £11.86p.

BP, with the indignation caused by the Kuwaiti investment Office's big disposal beginning to ease, added 4 1/2 to 731p.

Centrica rose in active trade as ABN Amro Hoare Govett raised the stock to "buy" from a "hold" and set a price target of 73p.

This stock was up 3 1/2 at 68p in volume of 21m, making it the best performer in the Footsie and the most actively-traded stock in London.

Better than expected figures from Storehouse saw the shares appreciate 7 to 223p. However specialists remained cautious about the group's ability to push sales forward.

Cazenove and SBC Warburg, joint brokers to the company, were said to have downgraded current year profit expectations by 55m to £130m.

The Storehouse figures helped boost several other retailers. Boots rose 10 1/2 to 713p, while Kingfisher gained 10 to 717p. Marks and Spencer, which reported figures on Wednesday, closed 5 1/2 ahead at 500p.

Nikko raised the shares a "buy" and in a note to clients said: "The foundations have been laid for significant global expansion."

The firm market trend helped aerospace issues shrug off worries about a delay in the Euro-fighter project.

TI Group was one of the best performing stocks among constituents of the the FTSE 100 and the shares closed 12 1/2 to 542p. British Aerospace, which dealers believe will soon benefit from the lifting of the ceiling on foreign ownership of its

stock from the present 29.5 per cent, gained 13 1/2 to 232p. The same hopes boosted Rolls-Royce. The shares hardened 3 1/2 to 248p.

The shockwaves from Wednesday's announcement about Celltech's septic shock treatment continued to reverberate through the market. The shares slid another 5 1/2 to 329p.

Baggies, the AIM quoted rugby club which was floated at 40p a share on Wednesday, fell 2 1/2 to 31p yesterday. The club said it was changing its head coach because "the board felt it had to deal with the recent poor performance on the field by taking this difficult decision".

LONDON RECENT ISSUES: EQUITIES

Issue	Ant. price	1997 price	1997 High	1997 Low	1997 Stock	Change	Net div.	Div. cov.	P/E
BP	731.0	655.0	820.0	620.0	100	+11.86	2.5	3.4	14.7
Shell	11.86	10.00	12.00	9.00	100	+1.86	1.8	1.3	45.2
Centrica	68.0	65.0	70.0	60.0	100	+3.0	0.5	0.7	6.7
Glaxo	12.20	11.00	13.00	10.00	100	+1.20	0.5	0.7	6.7
Abbey Nat	917.0	910.0	920.0	900.0	100	+7.0	0.5	0.7	6.7
Barclays	308.0	305.0	310.0	300.0	100	+3.0	0.5	0.7	6.7
Halifax	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
Reed	677.0	670.0	680.0	660.0	100	+7.0	0.5	0.7	6.7
NatWest	793.0	790.0	800.0	780.0	100	+3.0	0.5	0.7	6.7
FirstBus	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
Stagecoach	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Group	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Tele	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Sport	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Travel	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Sport	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Travel	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Sport	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Travel	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Sport	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Travel	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Sport	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Travel	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Sport	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Travel	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT World	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Net	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Data	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT Mail	119.0	118.0	120.0	117.0	100	+1.0	0.5	0.7	6.7
BT News									

WORLD STOCK MARKETS

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INDICES

	1987				1987			
	May 22	May 21	May 20	High	Low	May 22	May 21	May 20
Argentina (22/9/77)								
Australia	22,016.61	21,673.38	22,105.61	21.5	18,237.37	21		
AX Ordinance (1/8/8)	25,473.5	25,432	25,357	25,627.30	22,922.20	21		
Bahamas (1/8/8)	421.3	397.7	401.5	420.3	369.0	154		
Bahamas								
Brazil	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Canada (22/9/77)								
Chile	420.3	433.5	425.0	425.25	21.5			
Cuba (1/8/8)	1,257.18	1,230.11	1,220.30	1,235.11	1,132.22	91		
Dominican Republic (22/9/77)								
France	22,454.0	22,473.5	22,224.0	22,549.5	21.5			
Germany (22/9/77)								
Greece	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Hong Kong	181.63	183.74	180.35	181.34	103.5			
India	3,033.9	3,173.30	3,214.10	3,103.5	2,496.12	114		
Indonesia								
Japan	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Korea	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Malaysia	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Philippines	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Singapore	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Taiwan	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Thailand	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
USA	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
UK	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
West Germany	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Yugoslavia	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
Other								
1987	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1986	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1985	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1984	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1983	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1982	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1981	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1980	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1979	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1978	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1977	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1976	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1975	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1974	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1973	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1972	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1971	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1970	107,151.0	107,411.0	107,151.0	21.5	0.0	224		
1969	107,151.0	107,411.0	107,151.0	21.5	0.0	224		

US INDICES

[illegible]

Yield	5.34	+	3.98
Time	2.90	+	5.46
MOF	16.10	+	77.90

[illegible]

SLife	50	-4.70	00.50	31
Sum	118	-50	196	110

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Prices supplied by Exrel, part of FT information

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KS: Thursday, May 22, 1997

Lossing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
343	-6	Honda Motor	5.9m	3310	-170
252	+5	Mitsubishi Hvy	5.7m	857	+10
491	+11	Taiyo Yuden	5.4m	1740	+170
320	+1	Canon	5.1m	2700	
3340	-140	Sumitomo Mtl Ind ..	5.0m	299	+2

Prices	on day	
343	-8	Honda
212	2	to the

252	+5	Mitsubishi
491	+11	Taiyo Yoko
320	+1	Canon
3340	-140	Sumitomo

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10%	8%	5%	-
1%	1%	1%	-
45%	45%	45%	-
11%	11%	11%	-
14%	14%	14%	-
12%	12%	12%	-
10%	10%	10%	-
25%	25%	25%	-
17%	17%	17%	-
22%	22%	22%	-
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100%	100%	100%	-

4 pm close May 22

Belgi

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... ..

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EASDAQ is a fully regulated independent pan-European Stock Market focused on aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold by Members and are made up of Brokers and Banks from across Europe.

Company	Bid price	Change on day	Volume	High	Low	Company
Eastman	13 1/8	NE	1000	13 1/8	7	Eastman Yellow

Chemunex	FF-16	90008	10	16	Mercer Intermitt
Dr Solomon's ADS	US\$1.75	-0.125	8	26.5	Pto Tech

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Mid price	Change on day	Volume	High	Low
188.25	+1.25	154,000	192.25	187.75

US\$10.125	8	11.75	8.125
US\$4.5	0	5.125	4.25

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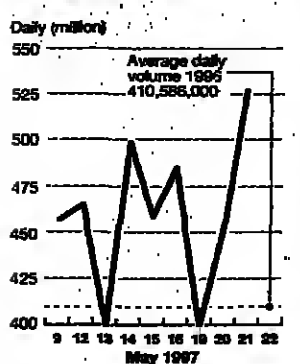
Dow dips as long yield nears 7%

AMERICAS

US shares were weak as long-term bond yields threatened to break through the psychologically important 7 per cent barrier, writes Jane Martinson in New York.

The Dow Jones Industrial Average fell 29.26 to 7,261.43 at mid-session while the broader-based S&P 500 fell 2.46 to 836.99.

NYSE volume



triggered the stock market's sell-off earlier this year.

After reacting positively to Tuesday's Fed decision not to raise interest rates, the Dow and S&P 500 are trading roughly in line with their Monday levels. Mr Joseph Cloggott, US equity strategist at J.P. Morgan, said: "There's been pretty much of a ho-hum reaction to the Fed not doing anything."

However, Mr Cloggott believed that while "7 per cent may not be a magic number" there is some room for bonds to improve against the larger companies. His research suggested that the S&P 500 was 4 per cent overvalued against bond yields and that "there is

very limited upside in the US equity market over the next couple of months."

The momentum in the technology sector which has seen the technology-driven Nasdaq composite index outperform the blue chips in the past few sessions appeared to falter yesterday. After flirting with its all-time high, achieved in January, the Nasdaq fell 2.31 to 1371.44.

Financial stocks continued to suffer from the uncertainty over longer term rates which has dogged them since Tuesday. Bank of Boston was down 11/16 or 1.5 per cent to 57 1/2.

Activity in the US aerospace companies was mixed. Boeing fell 3/4 or 2 per cent to 100 1/4 after the European Union expressed concerns over competition. US Airways rebounded very slightly by 1/8 to \$35 after suffering an 8 per cent fall when British Airways sold its entire 18 per cent stake on Wednesday.

Shares in Hartford Life, the insurance group, traded at a 15 premium to the flotation price as they made their debut. The shares traded at \$248.

NYSE volume was relatively muted at 244.59m shares traded.

TORONTO ignored the weak start on Wall Street to move higher after a morning of mostly mixed, light trading. At noon, the 300 composite index was up 13.57 at 6,320.70.

Northern Telecom ran into profit-taking after Wednesday's near 6 per cent surge and the shares slipped 1/20 to \$116. News of a Swedish contract cut no ice with Bombardier, with the shares off 55 cents at \$27.95.

Royal Bank of Canada added 10 cents to \$469.90, but Bank of Montreal retreated 15 cents to \$53.75.

Santiago strongly ahead

SANTIAGO moved strongly ahead at the opening following the announcement that a 37 per cent stake in the Santa Isabel supermarket chain was to change hands for \$230m. At mid-session, the IPSA index was 1.33 or 1.1 per cent higher at 123.25. The stake is being acquired by the Velox Group of Argentina.

MEXICO CITY also gained ground, helped by a further strong performance from Televisa following news of the group's cost-cutting plans. By mid-session, the shares were 5 pesos higher at 114 pesos, helping the IPC

Index to push deeper into record higher territory with a gain of 4.93 to 3,979.35.

BUENOS AIRES had a mixed morning, overshadowed by modest profit-taking in the wake of Wednesday's strong rise which lifted the Merval index by 1.4 per cent. At mid-session the Merval was 0.33 better at 765.03.

CARACAS too showed signs of running out of steam as the previous day's 1.3 per cent improvement gave way to a rise of just 0.23 to 6,671.14 on the IBC index at mid-session in what brokers described as relatively low trading activity.

South Africa gives up gains

Shares in Johannesburg swung back on to the downside with the all-share index erasing the whole of Wednesday's rally to close 31.1 lower at 1,096.1.

There was some excitement among financials following strong results from Investec, but both industrials and golds ended easier. Industrials came off 31.1 to 7,096.1 and the golds index

gave up 8.6 to 1,205.5.

Investec jumped R6 to R156 after turning in earnings well ahead of expectations. Absa rose 15 cents to R30. But De Beers came off 75 cents to R159.50 and Anglo American R1 to R267.

Among golds, Western Deepfields lost 50 cents to R130.50 and Vaal Reef came off a similar amount to R269.50.

EUROPE

Leading hours moved uniformly lower, unsettled by a dull day for bonds and a weak start on Wall Street.

PARIS broke out into election sweat with doubts about the outcome to Sunday's first round voting rising to the surface and sending share prices sliding across the board.

Volume tailed away to 11.6m shares and genuine selling pressure was said to have been minimal. But sentiment was clearly rattled by rumours of an inconclusive outcome at the polls on Sunday, and at the close the CAC 40 index was off 44.70 at 2,741.65.

Oil stocks were one of the few defensive sectors. Total was slightly easier but Elf Aquitaine surged FFr15 or 2.5 per cent to FFr613 after a successful placing of 2.5m shares removed stock overhang concerns.

Mostly, though, the market was ankle deep in red ink. Motors led the way down with Renault off FFr6.7 or 4.3 per cent at FFr147.8 and Peugeot down FFr18 at FFr229. Michelin shed FFr15.4 to FFr333.6. Promodes analysts meeting was said to have been relatively upbeat on trading but cool of merger hopes. The shares fell FFr36 to FFr2,098.

Shares in Lufthansa, the airline group, traded at a 15 premium to the flotation price as they made their debut. The shares traded at \$248.

Taipei lifted by demand for electronics sector

ASIA PACIFIC

Heavy demand for leading electronics shares pushed TAIPEI strongly higher, lifting the weighted index 121.68 or 1.5 per cent to 8,144.57.

The index touched 8,157.80 during the session, its best level for more than two weeks. But activity remained dull, with turnover stopping short at T\$90bn.

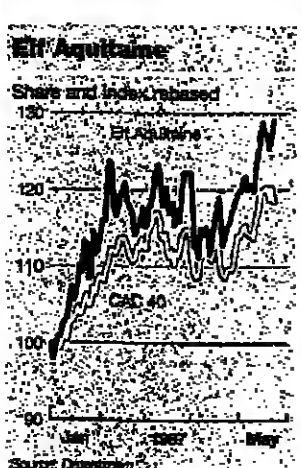
The upturn in sentiment stemmed from talk of a profit recovery for the electronics sector in the third quarter of the year on an improving exports base. United Microelectronics Corp gained T\$3 or 4.4 per cent to T\$70.5.

Plastics were strong, too, with Han Ya Plastic advancing T\$2.5 or 3.6 per cent to T\$71.5. China Steel was the most actively traded stock, adding 40 cents at T\$30.5 on news of price increases.

TOKYO ended marginally higher after a sea-saw session. Concern over currency volatility prompted foreign selling of blue-chip exporters, but there was local bargain hunting among domestic demand-driven issues and in the shares of companies reporting strong earnings, writes Gwen Robinson.

The Nikkei 225 average rose 35.41 to 19,877.39 after moving between 19,687.37 and 19,938.89. Traders noted uncertainty in the market following the dollar's recent swings against the yen. Leading exporters stayed under selling pressure and suffered also from recent downgrades by some foreign brokers. The afternoon recovery in futures prices, however, prompted arbitrageurs to buy cash stocks, which reversed a decline in the 225 index.

Many investors were hesitant ahead of today's earnings announcements by leading commercial banks for the year to March, which will provide further indications of the health of



FRANKFURT opened confidently with a burst up to 3,617 on the Dax index but drifted steadily lower from mid-morning onwards. Volume was dull and the Dax ended down 24.98 at an Ibis indicated 3,575.44.

Lufthansa was the day's backmarker, sliding DM1.35 or 4.6 per cent to DM27.90 as investors turned against airline stocks in the wake of KLM's unsettling results statement. And there was clear softness among index heavyweights like Deutsche Bank and Volkswagen, off DM12.10 to DM96.65 and DM17.50 to DM127 respectively.

Karstadt found itself caught up in takeover talk, rising DM15 to DM569 on hopes that stake disposals by the German banks (between them Deutsche Bank and Dresdner hold 20 per cent of the group) would lead to an outright bid for the retailer.

Among second liners, Philipp Holzmann rose DM39 to DM511 on improved trading and the hint of a return to dividends next year.

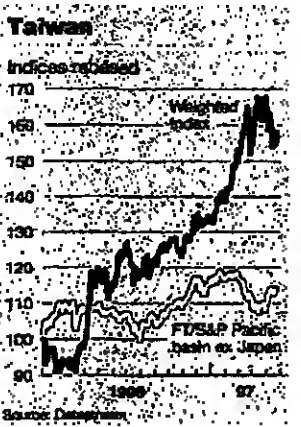
AMSTERDAM traded lower as both KLM and Elsevier ran into severe squalls. The AEX index closed off 0.62 at 808.31.

KLM lost height as analysts pored over the airline's trading trends, notably the fierce pressure on operating margins. The shares fell F12 to F157.80. News of industry database litigation in the US cast a cloud over Elsevier. The shares fell 70 cents to F133 in volume of 9.9m shares.

Hogovens stood out on the upside. A leading US broker was said to have initiated coverage of the steel group with a target price of F115. The shares rose F13.80 or 4.1 per cent to F196.80.

ZURICH took a pause to consolidate after Wednesday's strong gains and the SMI index registered a loss of 2.2 at 5,176.4.

Lehman Brothers, which reduced its recommendation from overweight to underweight, said that the market



domestic demand-driven issues, however, fared well. Ito-Yokado climbed Y110 to Y6,810, Daimaru added Y10 to Y6,500 and Takashimaya, Y20 to Y1,590. KDD led telecommunications issues, rising Y470 to the year's high of Y8,020 in spite of yesterday's poor earnings report. Tokyo Electric Power, which will benefit from lower costs for imported oil on the stronger yen, rose Y40 to Y2,390.

Among issues to rise on strong earnings announcements, Mitsubishi Heavy Industries added Y10 at Y857.

In Osaka, the OSE average fell 116.26 to 30,640.13, and volume rose to 20.3m shares.

BANGKOK swung back on to the downside on worries

about high bank interest rates. The SET index ended off 14.80 or 2.5 per cent at 581.39 on B15.6m turnover.

Dealers said both local and foreign investors took profits following a three-day rally of almost 7 per cent.

MANILA continued to climb, with the composite index gaining 47.72 to 2,596.69 for a two-day rise of 2.5 per cent. Dealers cited bargain hunting late in the session for the advance, achieved on dull volume.

The main action was in the leaders. Ayala Land rose 0.75 pesos to 18.75 pesos and Meralco 7 pesos to 127 pesos. C&P Homes stayed weak, slipping 0.60 pesos to an all-time low of 8.50 pesos on property worries.

KUALA LUMPUR saw strong demand from retail investors, including syndicates, for secondary shares on Thursday, while hiva chips attracted moderate interest from local and regional funds.

By the close, the composite index was up 12.41 or 1.2 per cent to 1,071.03 while the Second Board index of smaller-capitalisation shares surged 3.7 per cent.

SINGAPORE regained momentum late in the day to end higher as on selected demand for blue chips and as some banks recovered after recent losses.

The Straits Times Industrial index finished 7.72 higher at 2,061.71, as sentiment was also helped by

FTSE Actuaries Share Indices

May 22	May 21	May 20	May 19	May 18	May 17
FTSE Actuaries 100	2370.20	2370.41	2370.18	2369.24	2369.63
FTSE Actuaries 200	2369.79	2369.85	2369.47	2369.92	2369.80
FTSE Actuaries 300	2369.79	2369.85	2369.47	2369.92	2369.80

no longer stood out as offering value. "The rally since the start of the year has removed the valuation case for the market, while earnings estimates have moved to reflect a stronger dollar."

The banking sector lost some of its recent impetus but still outperformed the market. CS Group, a sectoral laggard, put in a strong showing with a rise of SFr2.75 to SFr182.50. CS Group said after the bourse closed that Siemens, of Germany would pay SFr285 a share for its Elektrowatt stake.

Adecco jumped SFr22 to SFr529 as Goldman Sachs raised its rating on the job recruitment group to market performer. Yesterday's rise took Adecco's advance since the start of the year to 59 per cent.

Among the day's other state performers, Swiss Re rose SFr49 to SFr1,855 on recommendations, while

back from a day's high of 1,151.75 but still finished up 6.30 at a record 1,146.97 in heavy turnover of Nkr1.5bn.

Kvaerner, the Anglo-Norwegian construction and engineering group, saw its A shares climb Nkr7 to Nkr400.

Hydro, Norway's largest listed company with a 20 per cent weighting on the total index, climbed Nkr4 to Nkr384.

ATHENS climbed 2.7 per cent, helped by a sharp rise in banks and a wide range of industrials which brokers justified on grounds of improved profitability and easing interest rates.

The general index climbed 44.84 to 1,693.85 in turnover of Dr33m, boosted by several large blocks, mostly in the banks. Among the large capitalisation stocks, National Bank climbed Dr2,300 to Dr37,500 and OTE was Dr195 higher at Dr6,700.

ISTANBUL dropped 2.5 per cent in thin trade, still unsettled by the political outlook and anxiously awaiting two key meetings next week involving senior generals and the Islamist prime minister, Mr Necmettin Erbakan. The IMKB National-100 index lost 38 at 1,471 after a low of 1,461.

Written and edited by Michael Morgan and Jeffrey Brown

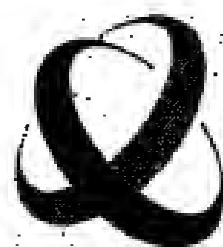
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NATIONAL AND REGIONAL MARKETS										DOLLAR INDEX					
Country or stock	US Dollar Index	Day's Change %	Point Stalling Index	Local Yan Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Local Stalling Index	Local Currency Index	52 Week High	52 Week Low	Year ago (approx)	
Australia (76)	234.37	1.7	210.74	168.26	208.53	199.02	0.4	3.85	230.47	185.50	173.48	185.18	234.37	184.44	204.41
Austria (84)	167.38	1.8	171.48	142.54	173.94	173.08	1.4	1.85	194.39	175.88	136.81	201.08	171.47	167.38	170.85
Belgium (26)	249.72	0.8	224.85	181.53	220.03	215.42	0.8	3.32	247.81	222.11	185.57	258.50	249.72	185.57	222.11
Brazil (30)	258.50	0.4	262.44	186.67	227.78	508.51	0.5	1.41	257.47	231.93	185.67	508.24	258.50	185.67	231.93
Canada (113)	204.95	1.4	184.30	148.01	180.61	202.81	0.9	1.92	202.05	182.01	145.18	207.89	204.96	154.12	164.64
Denmark (32)	398.93	0.1	350.37	281.38	343.37	342.04	0.1	1.48	396.42	350.79	278.80	343.14	641.87	398.93	288.49
Finland (28)	276.17	2.1	249.32	198.43	249.36	265.90	2.4	1.54	270.48	243.66	204.24	276.17	249.32	204.24	243.66
France (91)	232.28	1.2	208.85	167.73	204.09	207.99	1.2	2.72	229.54	206.79	164.83	202.65	232.34	186.94	195.47
Germany (59)	212.87	1.4	191.50	153.79	187.57	187.57	1.4	1.51	210.01	185.18	150.88	185.05	213.45	178.17	158.67
Hong Kong (68)	305.95	0.2	456.94	385.38	448.95	502.84	0.2	3.00	304.83	454.76	362.73	444.83	501.49	407.55	434.51
Indonesia (27)	223.30	0.2	270.79	181.25	186.77	334.59	0.2	1.71	229.79	200.58	182.22	223.30	200.58	182.22	200.58
Ireland (16)	347.05	0.0	312.06	250.61	305.82	322.80	1.3	3.02	346.90	312.50	249.26	306.09	318.90	260.00	280.05
Italy (58)	91.93	0.8	82.68	66.38	81.01	114.51	0.7	2.19	91.23	82.18	65.56	83.93	113.67	98.32	73.26
Japan (689)	132.05	-2.5	118.74	95.36	118.37	85.36	-2.0	0.82	133.36	121.84	97.26	118.28	97.26	124.26	107.57
Malaysia (107)	517.57	0.0	485.75	374.04	458.44	498.82	0.0	1.35	518.03	466.99	358.25	488.02	500.85	510.10	380.52
Mexico (27)	1435.01	0.7	1290.54	1036.28	1264.54	1236.01	0.9	1.22	1426.08	1263.72	949.34	1283.94	1258.70	1435.01	1263.72
Netherlands (18)	376.81	2.1	336.82	272.10	332.04	337.71	2.1	2.29	368.99	332.40	265.13	325.14	320.95	376.81	275.86
New Zealand (14)	88.07	0.7	78.18	68.90	77.61	67.24	0.2	4.28	87.48	78.79	62.84	77.89	87.09	85.80	73.84
Norway (41)	308.80	1.9	277.87	222.98	272.12	255.24	1.5	2.09	303.00	272.84	217.71	266.89	320.19	321.23	248.03
Philippines (22)	151.08	2.1	136.58	109.69	130.86	130.86	2.1	0.93	148.90	134.04	109.51	135.11	125.11	136.58	109.51
Singapore (42)	389.88	0.0	350.40	281.40	343.40	287.00	0.0	1.17	389.85	351.18	280.13	352.33	257.40	448.01	368.00
South Africa (44)	380.48	0.5	324.14	260.32	317.68	361.25	0.3	2.43	358.57	323.01	257.64	315.96	350.09	370.12	301.49
Spain (35)	255.72	2.3	228.94	184.68	225.34	276.57	2.4	2.37	249.95	225.16	179.59	220.24	272.10	255.72	179.59
Sweden (49)	484.02	1.8	477.24	338.08	409.90	518.29	1.3	1.89	459.84	411.82	359.35	452.64	511.84	484.02	354.35
Switzerland (39)	282.19	1.3	266.39	213.99	261.01	259.41	1.8	1.29	282.28	263.29	204.24	282.19	266.39	204.24	263.29
Thailand (43)	87.14	4.9	60.37	48.48	58.18	65.74	5.4	4.74	84.03	67.68	45.00	56.22	62.40	180.09	65.75
United Kingdom (211)	302.07	0.9	271.82	218.13	268.18	271.82	0.7	3.86	299.40	269.71	215.13	253.82	269.71	800.18	228.88
USA (652)	338.85	-0.2	306.40	245.27	298.30	338.65	-0.2	1.80	340.38	306.62	244.97	340.38	340.47	254.76	274.20
Americas (822)	310.91	-0.1	270.57	224.52	273.98	261.57	-0.1	1.76	311.30	280.42	223.67	274.30	262.96	311.30	233.09
Europe (725)	264.79	1.2	238.09	191.21	238.33	242.29	1.2	2.62	261.56	235.62	187.84	230.48	239.89	264.79	201.96
Nordic (150)	398.48	1.4	358.29	287.74	351.18	388.80	1.3	1.95	382.82	353.88	282.28	348.14	351.88	398.48	291.45
Pacific Basin (882)	150.13	-1.7	134.88	106.41	132.30	108.22	-1.4	1.31	152.75	137.60	109.79	134.80	110.01	170.86	117.02
Euro-Pacific (1627)	197.98	0.0	178.00	142.95	174.44	158.40	0.0	2.04	198.15	173.51	142.95	178.00	178.00	178.00	142.95
North America (769)	321.43	-0.1	289.02	230.34	292.06	330.59	-0.2	1.80	331.89	298.87	236.47	292.45	331.12	331.89	248.85
Europe Ex. UK (514)	236.65	1.4	214.58	172.33	210.30	220.84	1.5	2.04	235.29	211.95	166.08	207.33	238.65	236.65	190.91
Pacific Ex. Japan (97)	306.18	0.7	273.30	221.09	269.79	265.55	0.3	2.31	304.19	274.02	218.87	288.04	276.34	306.18	269.79
World Ex. US (1821)	201.24	0.0	180.95	145.32	177.38	165.63	0.1	2.02	201.27	181.30	144.61	177.33	165.52	201.27	178.94
World Ex. UK (2282)	239.72	-0.2	215.38	173.11	211.25	209.91	-0.1	1.73	240.24	215.41	173.11	211.25	209.91	239.72	173.11
World Ex. Japan (1889)	300.17	0.4	272.61	218.90	267.18	291.87	0.4	2.14	302.03	272.07	218.90	267.18	291.87	300.17	233.10